Draft International Education and Skills Strategic Framework — response to the Department of Education

June 2024
Australia’s international education sector is a prized national asset, growing significantly over the past 20 years to become the country’s second largest export industry. It plays a crucial role in driving economic growth and prosperity. International education underpins a higher standard of living and helps deliver essential services for all Australians, while also supporting universities to operate across the nation. Every effort should be made to continue growing this vitally important sector that makes our nation stronger and more successful. In line with this goal, Universities Australia recommends that the Government, in finalising the International Education and Skills Strategic Framework and through the supporting legislation before Parliament:

- defer implementing the framework to 2026 and task a properly resourced and experienced Australian Tertiary Education Commission to manage growth for both domestic and international students in line with the recommendation in the Australian Universities Accord final report
- categorise universities and TAFE institutions separately, noting existing regulations, to achieve sustainable, managed growth in international student enrolments
- set caps at the provider level only, removing the ministerial power to set caps at the course level
- when considering universities’ base level, in addition to student numbers, consider their overall institutional position, including financial position, employment profile, infrastructure costs and other obligations associated with running a complex organisation
- provide adequate funding arrangements that will ensure certainty and stability in the transition to the new policy environment over time
- include a sunset clause in the legislation for the removal of ministerial powers, acknowledging the future role of the Australian Tertiary Education Commission as an independent steward for the tertiary system, and
- reconsider the visa prioritisation process in Ministerial Direction No. 107 to create a more even playing field for universities.

Universities Australia supports the Government’s intention to protect and strengthen the integrity of the international education sector and welcomes steps in this direction. However, aspects of the draft framework and legislation seem to be rushed responses to issues the Government wants to address ahead of the next Federal Election. This is not a sound basis for good policy and risks eroding the foundations of a critically important sector that benefits the nation and our universities.
The university financial context

International education not only benefits Australia, helping to fund essential services and infrastructure, but it is an increasingly vital revenue source for universities. Over the last decade, as government funding for universities has decreased, the international education sector has grown. This growth has fuelled a reliance on international student fees to fund infrastructure projects, and core teaching and research activities.

Recent changes to higher education policy have resulted in the following funding shortfalls for universities:

- $3.95 billion lost in the closure of the Education Investment Fund
- A funding deficit of $2.5 billion per annum in competitive grant research, equity support and compliance, and
- $800 million per annum lost through changes to domestic funding arrangements under the Job-Ready Graduates Package.

This reduction in multiple revenue streams has led to a 40 per cent drop in real capital expenditure by universities between 2019 and 2022, putting it well below 2008 levels.

The COVID-19 pandemic put more pressure on universities already dealing with cuts. The Morrison Government’s decision to exclude Australia’s universities from the JobKeeper income support scheme made things worse, especially when international student revenue was significantly down. The effects of the pandemic are still being felt today, with most universities in deficit.

Compounding these problems are declining domestic enrolments, lower retention rates and financial impacts from the Government’s poorly implemented visa processing changes under Ministerial Direction No. 107. Universities are forecasting a collective shortfall of more than half a billion dollars in 2024 due to the changes.

The risks

Universities and the broader economy are already struggling under financial pressures without the added political headwinds driven by rushed policy changes. The Government should be aiming to grow the international education sector, particularly through universities, in recognition of the significant and extensive benefits it delivers for the nation.

Given the higher education sector’s reliance on international student fees to fund teaching, research and infrastructure projects, in the absence of adequate government support, any further reduction in the international student intake could:

- result in significant job losses at universities (Universities Australia estimates the forecast $500 million shortfall stemming from visa processing changes alone puts 4,500 jobs at risk)

Universities are committed to working with the Government and industry to boost the provision of student accommodation across the sector, but it is short-sighted to blame international students for housing availability and affordability issues. International students account for only four per cent of the rental market and make up less than one per cent of the housed population in nearly three quarters of local government areas.

Further, international student enrolment numbers in higher education (predominantly at universities) decreased by 1.3 per cent from 2019 to 2023.

The potential consequences of international education policy changes beyond university campuses include:

- job losses in the many and varied sectors that international education supports
- weaker economic growth
- less government investment in essential services and infrastructure, including in housing, and
- damage to Australia’s international reputation and foreign policy agenda.

International education serves Australia’s interests on various fronts and changes to the policies that underpin the sector must be weighed carefully against its significant and far-reaching impact. Universities Australia urges the Government to give more careful consideration to these reforms to ensure there are no unintended consequences. A longer consultation period would allow time to consider the full policy suite of domestic and international reforms proposed across government and allow newly imposed regulations to take effect before further decisions are made.

The Government has committed to growth in the international education sector. It is imperative that it honours this commitment — for the benefit of universities and the nation.
Recommendations

1. **Defer implementing the framework to 2026 and task a properly resourced and experienced Australian Tertiary Education Commission to manage growth for both domestic and international students in line with the recommendation in the Australian Universities Accord final report**

Some aspects of the draft framework overlook the complexities of recruiting international students and providing international education, both in Australia and abroad. These activities take time, and changes to the system cannot happen overnight. More time for planning and implementation is needed than what the Government has proposed, particularly as managed domestic growth will form part of the key functions of the Australian Tertiary Education Commission.

2. **Categorise universities and TAFE institutions separately, noting existing regulations, to achieve sustainable, managed growth in international student enrolments**

Australia has one of the most regulated higher education systems in the world, underpinned by an extensive framework of legislation and regulations. Universities are committed to delivering high-quality education that meets the standards set by the Government and supports the role that the Tertiary Education Quality and Standards Agency has in regulating the sector to ensure quality and integrity is maintained.

3. **Set caps at the provider level only, removing the ministerial power to set caps at the course level**

Universities are self-accrediting institutions that deliver education to Australian and international students under strict and mature regulatory and funding arrangements. Further, universities are increasingly asked to deliver graduates in line with Australia’s skills needs based on advice from agencies including Jobs and Skills Australia. A ministerial intervention at the course level is overreach and would have serious consequences for established practices of institutional autonomy, existing regulations and student choice.

4. **When considering universities’ base level, in addition to student numbers, consider their overall institutional position, including financial position, employment profile, infrastructure costs and other obligations associated with running a complex organisation**

Given the serious and precarious financial position the majority of Australian universities are in, determination of international student numbers needs to be considered within the context of the post-pandemic recovery and the sector’s current financial position. Universities have been experiencing a long-term decline in government investment, particularly in infrastructure and research and development. This structural and systemic shortfall has resulted in universities relying, to varying degrees, on the tuition fees received from full fee-paying international students to deliver their core functions. Universities need certainty to ensure financial sustainability and longevity to minimise redundancies and continue investing in infrastructure and research and development.

5. **Provide adequate funding arrangements that will ensure certainty and stability in the transition to the new policy environment over time**

The combined impact of ongoing reforms is significantly affecting the financial sustainability of universities. Universities Australia recommends staged funding arrangements that support institutional contexts, delivery challenges, market access and financial positions. This approach will mitigate the effects of enrolment downturn and economic and policy instability. These arrangements should be integrated into existing university mission-based compacts, allowing for the unique circumstances and needs of individual institutions to be addressed. A needs-based funding system, as committed to by the Government, is essential to ensure universities can meet Australia’s skills and knowledge needs. As the university sector moves to managed growth and mission-based compacts with needs-based funding, it is critical to consider and manage these reforms within the context of international managed growth.

6. **Include a sunset clause in the legislation for the removal of ministerial powers, acknowledging the future role of the Australian Tertiary Education Commission as an independent steward for the tertiary system**

The proposed amendments to the Education Services for Overseas Students Act 2000 approach the system from a deficit perspective, implying the current model of regulatory oversight is broken. The intimation that intervention from the Minister for Education is required to fix the system within the university and TAFE context is not warranted, nor will it be constructive for the sector. Instead, the Government should maintain and enact the existing regulatory mechanisms over introducing permanent Ministerial powers. If the Government proceeds on this path, Universities Australia recommends that any legislative changes to the Education Services for Overseas Students Act 2000 include a review mechanism and a sunset clause for the removal of ministerial powers. It is important to note that these proposed changes coincide with the Accord process, which is delivering the most significant reforms in a generation.

7. **Reconsider the visa reprioritisation process in Ministerial Direction No. 107 to create a more even playing field for universities**

Revoking Ministerial Direction No. 107 — the visa prioritisation measure — will reduce the immediate financial impact that has been felt by the sector and allow universities to operate in a more stable and certain environment that offers equity and diversity of international students among universities.
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