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Universities Australia Submission to the
House of Representatives
*Inquiry into Australia's Trade and Investment
Relations with Asia, the Pacific and Latin America*

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Universities Australia Submission to the House of Representatives Joint Standing Committee on Foreign Affairs, Defence and Trade:
Inquiry into Australia’s Trade and Investment Relations with Asia, the Pacific and Latin America

Contents

Executive Summary2

1. Education: the export success story.....3

2. Better Alignment of Complementary Policies.....5

3. Free Trade Agreements6

4. Market Access7

5. Public Diplomacy8

6. Student Visa Costs.....9

7. Conclusion 10

Executive Summary

Universities Australia is the peak body representing 38 of Australia's universities both nationally and internationally. Universities contribute to Australia's progress, and Universities Australia is committed to developing policies and providing services that enhance those contributions.

Universities Australia is pleased to be able to provide a submission to the House of Representatives Joint Standing Committee on Foreign Affairs, Defence and Trade (the Committee) in relation to the Inquiry into Australia's Trade and Investment Relations with Asia, the Pacific and Latin America.

Universities Australia's key recommendations in relation to this inquiry are as follows:

1. Universities should gain greater representation in government trade policy-making forums, in line with the position of education as Australia's largest services exporter.
2. Universities Australia believes now is the ideal time for public investment in universities to support the capacity to sustain this export achievement and assist economic recovery.
3. To make sure universities can continue to attract and retain international student enrolments, Universities Australia urges the Committee to advocate for investment in the recommendations of the Bradley Review of Higher Education in the upcoming Federal Budget.
4. Greater attention should be given to 'whole of government' issues that affect international students studying in Australia, including the variable costs for educating the children of student visa holders, affordable housing, broadband availability and transport concessions, and infrastructure.
5. Strong and consistent representation of the education export industry should be a central part of Australian trade negotiations, including advocacy on 'behind the border' issues in partner countries.
6. Australia's ability to apply quality standards to higher education providers should be preserved in any free trade agreements currently under negotiation.
7. In reviewing the benefits of Australia's trade and investment relations with Asia, the Pacific and Latin America, consideration should be given to the non-economic benefits of the engagement also.
8. The current high cost of Australian student visas should be reviewed and monitored.

1. Education: the export success story

Universities play a key and growing role in Australia's export relationship with Asia, the Pacific and Latin America. Education has been the success story among Australian exports over the last twenty years. The Australian Bureau of Statistics has released its *International Goods and Services* December 2008 trade data, confirming the contribution of education as Australia's third largest export industry, directly behind coal and iron ore. Education exports increased from \$12.2 billion in 2007 to \$15.5 billion in 2008, making education also the clear number one services export ahead of tourism. For the last decade, education exports have been growing by an annual average of 15.7 %, compared to 10.8% for total exports.

From preliminary estimates, international student demand for places in Australian universities in 2009 also shows no signs of diminishing, and applications indeed look like increasing strongly, as in the past during times of financial downturn. With commodity prices falling, Universities Australia believes now is the ideal time for public investment in universities to support the capacity to sustain this export achievement and assist economic recovery.

The international education industry employs over 50,000 people, supporting over 250,000 international students both here and offshore. This represents an incredible story of growth from an export industry that did not exist twenty-five years ago. It is a testament to the innovative spirit of Australia's universities that they have built an industry that contributes to Australia's prosperity on so many levels.

This success, however, seems weakly reflected in public discussion of the economy and trade, and in the actual formation of trade policy itself. There is, however, greater self-consciousness now in education itself though not without ambiguity. Some in education are concerned at treatment of international education in industry and revenue terms. That said, the economic side is a reality and an important one, so that settings to enhance that contribution remain imperative for the field and for the nation. Given the prominence of universities in Australia's services exports, Universities Australia recommends that a greater representation be given to universities in government trade policy-making forums.

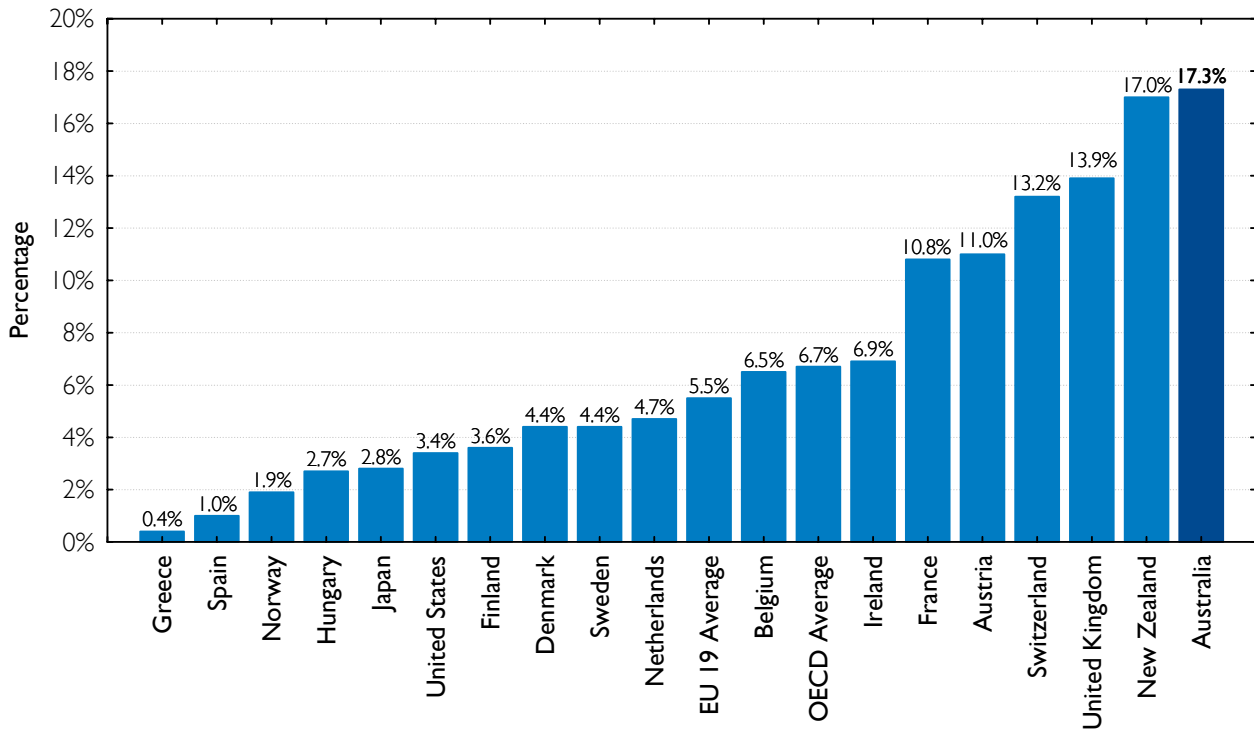
International student enrolments in individual Australian universities now range from ten percent to over twenty-five per cent of the broad student population. Consequently, universities are now heavily reliant on fee revenue generated by international students. These fees contribute to staff salaries, university facilities, research and other core activities. This dependence on international student fee revenue has been heightened over the last twelve years as a result of the continued decrease in per capita student funding by successive federal governments. It is important that this international revenue base is protected by supportive government programs and policies.

There is concern that there is a growing imbalance between funding for domestic students and international student income. The erosion of core funding for Commonwealth supported student places and for university infrastructure has resulted in a rise in the student-staff ratio over the last two decades from 14:1 to 20:1.¹ The result is to threaten the quality of education for both domestic and international students and, if Australia is not careful, to undermine the future international student market in the process.

¹ Universities Australia data, available at <http://www.universitiesaustralia.edu.au/documents/publications/stats/Student-teacher-ratio-1990-2007.pdf>

The following graph shows that Australia's higher education sector has the highest proportional intake of international students amongst OECD countries, making Australia vulnerable to any downturn in this market.

International Students as a Percentage of All Tertiary Enrolment, (selected OECD countries) 2005



Source: Education at a Glance: OECD Indicators 2007, Table C3.1, p. 317

While international students should certainly pay their way, it is not sustainable in a competitive market for international students to cross-subsidise under-funded domestic student places, as is the case at present. There has been a thirty percent decline in government funding per domestic student place (in real terms) over the past decade. Restoration of base funding in real terms for Australian universities is therefore essential for both the benefit of domestic students and the sustainability of international student export activity.

Higher education plays a core role in supporting the economy, in addition to delivering wider benefits for Australia. To these ends, and to ensure universities can continue to attract and retain international student enrolments, Universities Australia urges the Committee to advocate for investment in the recommendations of the Bradley Review of Higher Education in the upcoming Federal Budget.

Recommendations:

1. Universities should gain greater representation in government trade policy-making forums, in line with the position of education as Australia's largest services exporter.
2. Universities Australia believes now is the ideal time for public investment in universities to support the capacity to sustain this export achievement and assist economic recovery.
3. To make sure universities can continue to attract and retain international students, Universities Australia urges the Committee to advocate for investment in the recommendations of the Bradley Review of Higher Education in the upcoming Federal Budget.

2. Better Alignment of Complementary Policies

Continued success in educational exports will depend on cooperation among many government departments, different levels of government, and a range of other stakeholders.

For example, educational exports rely fundamentally on:

- airline capacity to allow for seamless student and family movements (e.g. relevant international services are currently limited or non-existent in Canberra, Adelaide, Hobart, Cairns and Darwin);
- telecommunications capacity to allow access to online learning resources, family communications and off-shore course delivery under a blended learning model;
- appropriate promotion of Australia as a quality education option for international students, including through generalist agencies such as Tourism Australia and through sector specific promotional campaigns (which currently receive a small fraction of the tourism industry's level of promotional funding); and
- coordination of state/territory and federal policies through COAG to address:
 - differences between jurisdictions in charges for educating the children of student visa holders;
 - the absence in some key states of student transport concessions for international students;
 - the interface between regional migration objectives and federal visa administration;
 - the lack of ease of VET-to-university pathways for international students; and
 - planning processes for student housing developments.

International education exports will be a major beneficiary of genuine improvements to whole-of-government processes. The above issues indicate how the Education, Infrastructure, Immigration and Communications portfolios need to work together, in addition to the Commonwealth working more closely with the States and Territories through COAG processes. Similarly, partnership with other stakeholders such as industry has significant scope for improvement, with many international students expressing concern at the limited avenues of learning-related work experience while in Australia.² At the moment, vehicles for creative coordination to assist education exports do not seem to be in place, and should be considered as a matter of priority.

Recommendation:

4. Greater attention should be given to 'whole-of-government' issues that affect international students studying in Australia, including the variable costs for educating the children of student visa holders, affordable housing, broadband availability and transport concessions, and infrastructure.

² Universities Australia, *A National Internship Scheme: Enhancing the skills and work-readiness of Australian university graduates*, Position Paper 3/08, Canberra, May 2008. Available at <http://www.universitiesaustralia.edu.au/internships/>

3. Free Trade Agreements

While over past decades there has been substantial progress globally and regionally with multilateral free trade agreements, more recently bilateral free trade agreements have become the focus for a great deal of Australia's trade policy. It was the practice of the Howard government and one continued by the Rudd government, to pursue bilateral Free Trade Agreements (FTAs) that build on the commitments of the stalled World Trade Organisation (WTO) Doha Round multilateral agreement. The pursuit of bilateral FTAs is said to allow trade liberalisation with key partner countries while the more arduous task of finalising multilateral agreements continues.

Australia has existing free trade agreements with Chile, New Zealand, Singapore, Thailand, The United States of America, and the separate Australia-New Zealand-ASEAN Agreement. The Australian Government through the Department of Foreign Affairs and Trade (DFAT) is in negotiation to develop agreements with China, Japan, Malaysia, the Gulf Cooperation Council as well as the Trans-Pacific Partnership Agreement. DFAT is currently conducting joint feasibility studies into FTAs with India and Indonesia and is in preparatory discussions with the Republic of Korea.

The role and recognition of education in these agreements varies. In the case of Singapore, Australia signed a FTA with Singapore in February 2003. As part of the 2008 Mortimer Review of Export Policies and Programs³, the Australian Government sought feedback from industry (including universities) on the benefits to date of this particular FTA to their businesses. All university responses were submitted via Universities Australia, and of those universities who submitted a response, no university considered they had experienced any benefits from the FTA. This is not to say that they had experienced any barriers to trade previously or had any expectation of increased access following implementation of the FTA, only that the FTA had made no difference to their business with Singapore.

By contrast, the university experience in relation to the recently signed Chile-Australia FTA is somewhat different. This FTA's chapter on cooperation and the two countries' government-to-government Memorandum of Understanding on Education were key driving influences in the Chilean Government seeking the involvement of Universities Australia as their partner in the delivery of the Chilean Bicentennial Fund Scholarship Program in Australia. Therefore, while the FTA does not specifically cover education, its signing has raised the profile of Australia in Chile and provided the basis for substantial increased activity in Chile by Australian universities. Approximately 250 Chilean postgraduate students will begin study at Australian universities in 2009/10 under the Bicentennial Fund Scholarship Program.

There are no specific chapters on education in Australia's existing FTAs, but a chapter on education is being sought in negotiations with China. The specific inclusion of education in these FTA negotiations has allowed for discussion of specific 'behind the border' barriers to trade within the negotiations, as well as highlighting the importance of education in Australia's trade relationship with China.

Recommendation:

5. Strong and consistent representation of the education export industry should be a central part of Australian trade negotiations, including advocacy on 'behind the border' issues in partner countries.

³ Review of Export Policies and Programs, Report (September 2008) – see http://www.dfat.gov.au/trade/export_review/

4. Market Access

Australia is engaged in both the Doha Round of WTO negotiations and in an increasing number of bilateral and regional negotiations. In all of these contexts, services trade is playing an increasingly important part in negotiations.

The Australian higher education market is already open to overseas universities that wish to offer degrees in Australia. This is provided for under both the National Protocols for Higher Education Approval Processes ('National Protocols') and the *Higher Education Support Act 2003*. One institution, a South Australian campus of America's Carnegie Mellon University, is currently operating under these provisions and others may follow.

The operation of suitably qualified overseas universities in Australia is to be welcomed. However, it is important that overseas institutions operating in Australia do not devalue degree offerings by Australian universities or more broadly devalue the use of the title 'university'. When entering into multilateral, bilateral and/or regional negotiations, Australia should therefore be cautious of any measure that may undermine its ability to apply quality assurance measures (e.g. the National Protocols) and other regulatory processes to universities.

Conversely, many Australian universities now offer degrees through campuses located in partner countries. The regulatory burden of operating in some partner countries (e.g. India) remains unreasonably high; and subject to the same quality principle as applies in Australia, bilateral negotiations should be seen as a good opportunity to minimise registration, reporting and other compliance costs for Australian universities and other services exporters.

The potential for Australia to enter into a dozen or more bilateral and regional trade agreements adds an additional level of regulatory risk for services exporters. As far as possible, the provision of these agreements should be made consistent to avoid a potential 'spaghetti junction' of regulation that may affect both the domestic and overseas operations of Australian universities. The focus of such agreements should be on ensuring maximum border and 'behind the border' liberalisation benefits for Australian exporters, including universities.

Recommendation:

6. Australia's ability to apply quality standards to higher education providers should be preserved in any free trade agreements currently under negotiation.

5. Public Diplomacy

In the context of internationalisation, it can be difficult for universities to make the link between their work and Australia's broader success. This presents a challenge when making the case for Commonwealth support for universities in a crowded environment of national budget priorities.

In an address to the American Council of Education in 2007, the former United States Under Secretary of State, Karen Hughes argued that there was "no doubt in my mind that student exchanges have been our single most effective public diplomacy tool in the past 50 years – there is simply no substitute for bringing people here where they learn with us and from us and make up their own minds about America"⁴. In Australia this explicit connection between education and the extension of Australian influence abroad is occasionally asserted but has not been in any way systematically examined.

The term public diplomacy refers to aspects of international relations that go beyond official interactions between national governments. According to the DFAT submission to the *Senate Inquiry into the nature and conduct of Australia's public diplomacy*⁵, the Department spent \$93.5 million and employed 229 staff on public diplomacy activities in 2006.

However, public diplomacy is not the sole responsibility of government. All Australians have a role to play, and universities have been leading in this area. Student mobility – both international students in Australia and Australian students studying offshore – may be the single most effective public diplomacy tool in the last 50 years⁶. Public diplomacy involves building long-term relationships that create an enabling environment for more effective government policies. The role of universities lies in the 'third dimension of public diplomacy': the development of lasting relationships with key individuals over many years through scholarships, exchanges, training, seminars, conferences and access to media channels⁷.

Universities are uniquely placed to meet the public diplomacy needs of Australia. This is because of their strong global and collaborative tendencies arising from the nature of scholarship. To this is added the massive new phenomenon of Australia's international student industry. In particular, following legislative changes allowing Australian institutions to enrol fee-paying international students, the period from 1985 to 2008 has seen Australian universities respond in a positive way to many different international opportunities such as participation in student and staff mobility programs, twinning programs with offshore partners, transnational education and cross border programs.

Universities contribute to Australia's national development across a range of areas, including education to meet Australia's skills needs, public policy engagement, community building, research and innovation. But Australia's universities also build international links that encourage trade, cultural understanding and regional security.

⁴ K. Hughes, *A Q&A with Karen Hughes*, The U.S. Chronicle of Higher Education, 5 January 2007

⁵ Department of Foreign Affairs and Trade Submission to the *Senate Inquiry into the nature and conduct of Australia's public diplomacy*, February 2007 – available at: http://www.aph.gov.au/Senate/committee/fact_ctte/completed_inquiries/2004-07/public_diplomacy/submissions/sub18.pdf

⁶ Dr Julie Wells (RMIT), *The Economics of Student Diplomacy*, Campus Review, 09.04.07

⁷ Joseph Nye, *Soft Power: The Means to Success in World Politics*, Public Affairs, New York, 2004

Recommendation:

7. In reviewing the benefits of Australia's trade and investment relations with Asia, the Pacific and Latin America, consideration also should be given to the non-economic benefits of the engagement.

6. Student Visa Costs

In its submission to this inquiry, the Department of Immigration and Citizenship (DIAC) detailed the number of student visas granted by region. DIAC also stated that, "As well as representing a sizeable market for Australian education businesses, the presence of foreign students in Australia creates international links that have downstream benefits for future trade and investment relations"⁸.

Universities Australia would endorse this statement, as well as raise some concerns with the role of DIAC in facilitating the international education export industry.

DIAC has an influence in the industry via its setting of student visa regulations and price structures. An accessible and economical student visa system is an important element in education services export promotion. The international student market is sensitive to upfront costs.

Australia's upfront visa application costs are disproportionately high compared to two of our three key competitors. Below is a comparison table of upfront visa costs among our competitor countries of the United Kingdom (UK), New Zealand and the United States of America (USA). These data have been compiled from information listed on the respective government websites, converted to Australian dollars as at 20 March 2009. The table indicates that Australian student visa costs are 50% higher than the UK fee, almost three times higher than the New Zealand fee and since the introduction of the SEVIS fee post-September 11, 2001, comparable to the costs for a US visa⁹.

Country	Visa Application Cost (\$AUD)
Australia	\$450
United Kingdom	\$306 (from April 2009)
New Zealand	\$121 in Pacific or Sydney offices \$162 in NZ and other locations
United States of America	\$191.00 application fee \$291.00 SEVIS fee Total: \$482.00

⁸ Department of Immigration and Citizenship, Submission to the *House of Representatives Inquiry into Australia's Trade and Investment Relations with Asia, the Pacific and Latin America* – available at <http://www.aph.gov.au/house/committee/jfadt/apla/subs/sub%2015.pdf>

⁹ For the USA, the Student and Exchange Visitor Information System (SEVIS) fee relates directly to additional visa processes that were introduced post September 11, 2001. All student visa applicants must pay a SEVIS fee toward maintaining this system in addition to the visa application fee.

In the twelve months to February 2009, the Australian dollar has fallen against the US dollar and risen against the UK pound. Universities Australia advocates monitoring of visa costs relative to our competitors over the coming months, with a view to revising these should we remain uncompetitive in this aspect of the market.

Recommendation:

8. The current high cost of Australian student visas should be reviewed and monitored.

7. Conclusion

Universities Australia welcomes the invitation to provide a submission to the House of Representatives Joint Standing Committee on Foreign Affairs, Defence and Trade *Inquiry into Australia's Trade and Investment Relations with Asia, the Pacific and Latin America*.

This Inquiry offers an opportunity to consider modifications to Australia's trade policy and related complementary policies which will have the effect of further removing barriers and enhancing the capabilities of Australia in trade and investment relations with Asia, the Pacific and Latin America.

Contact Details

Universities Australia would be pleased to provide more information to the Committee on any of the matters raised in this submission.

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