



INQUIRY INTO THE
EDUCATION SERVICES
FOR OVERSEAS
STUDENTS
AMENDMENT (QUALITY
AND INTEGRITY) BILL
2024 [PROVISIONS]

VICTORIAN GOVERNMENT
SUBMISSION

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Introduction

The Victorian Government welcomes the opportunity to present a submission to the Senate Education and Employment Legislation Committee's Inquiry into the *Education Services for Overseas Students Amendment (Quality and Integrity) Bill 2024* (the Inquiry).

Victoria wouldn't be Victoria without its international students. In 2023, around 235,000 international students chose to study in Victoria,ⁱ with the sector generating \$14.8 billion in export revenueⁱⁱ and supporting around 63,000 jobs.ⁱⁱⁱ International students help address the state's workforce needs and contribute through entrepreneurship and start-up ventures^{iv} as well as to critical research areas.^v International students draw international tourists to Victoria, with an estimated 12 per cent of international visitors to Victoria in 2023 visiting an overseas student studying in Australia.^{vi} Finally, international students highly value Victoria, as demonstrated by Melbourne's ranking as Australia's Best Student City.^{vii}

The Victorian Government has a long track record of support for the state's international education sector, which holds around 30 per cent national market share of international student enrolments. The Victorian Government's lead agency for international education, Study Melbourne, within the Department of Jobs, Skills, Industry and Regions, is responsible for supporting Victoria's international education businesses and international students through diversifying international education export markets and products; supporting providers to expand their export market focus; and maintaining Victoria's position as a destination of choice for students. The Victorian Government Schools International Student Program, within the Department of Education, is responsible for promoting and administering Victorian government schools as a destination of choice for international school students. Delivery of vocational education and training (VET) to international students by the Victorian TAFE Network is also highly regulated and overseen by government.

The Victorian Government supports the intent of Australian Government measures to enhance the quality and integrity of Australia's international education sector, including through the *Education Services for Overseas Students Amendment (Quality and Integrity) Bill 2024* (the Bill) and the Draft International Education and Skills Strategic Framework (the Draft Framework). The Victorian Government's own commitment to supporting the quality of the international education sector is outlined in *Victoria's International Education Recovery Plan 2025*. However, the significance and scope of the changes proposed in the Draft Framework and Bill must be recognised, as well as the impacts these changes could have on the economy, the international education sector and Australia's global reputation for international education. It is important that the Australian Government undertake adequate and considered consultation on the detail of the proposed measures, including with states and territories and the sector, to mitigate the risk of unintended consequences. Such collaboration would assist the sector to better manage the impacts of the proposed changes and support the long-term sustainability of international education in Australia.

In addition to providing this submission to the Inquiry, the Victorian Government has made a submission to the Australian Government's consultation on the Draft Framework and will continue to provide feedback on technical matters to the Australian Government through intergovernmental channels. The Victorian Government's submission to the Inquiry is not intended to be a fulsome legal review of the ESOS Act 2000 and subsequent amendments as legislative instruments.

Consultation with state and territory governments and the sector on the Bill and other policy changes, and timeframes for implementation

While supportive of the overall intent of the reforms proposed in the Bill to further strengthen the quality and integrity of the international education sector, the Victorian Government **calls for the Australian Government to undertake improved and timely consultation, consider a staged approach to implementation and ensure transparency in any further reforms to avoid unintended or prolonged damage to the international reputation of Australia's education sector and to the Australian economy.**

The Victorian Government notes that it was engaged with respect to the development of Parts 1 and 2 of Schedule 1 of the Bill, but that it was not engaged with respect to the development of the other parts of the Bill before it was tabled in Federal Parliament on 16 May 2024.

International education is a pipeline sector. There can be a long lead time between efforts to recruit international students and their arrival onshore, and international education services are often delivered over multiple years. Once an international student is onshore, they often stay for several years, depending on the duration of their studies and their interest in and eligibility for post-study work rights in Australia. This means that when the Australian Government makes changes to policy settings affecting international students, the effect on demand is not always immediately apparent.

In addition, the changes to international education policy settings implemented during the COVID-19 pandemic and subsequently repealed by the Australian Government continue to impact Australia's international education sector. **Time is needed to allow the longer-term residual impacts to fully flow through the system (and be properly understood) before further reforms are implemented.**

Clear and timely communication will ensure state and territory governments are able to model impacts and anticipate what supports might be needed from a state and territory perspective, including for international students, international education businesses, and heavily impacted localities.

Specific matters

It will be critical that the Australian Government communicates to the sector, state and territory governments, and students **the baseline that will be used for the implementation of the measures proposed in the Bill, particularly the new ministerial powers to limit the enrolments of international students by provider, course or location, as well as the overall number of students** it anticipates will enter Australia under a managed growth approach in future years. The Victorian Government calls for **clear and timely communication on the proposed cadence of the review of the managed growth approach, and the expected timeframes for implementation and the planned duration of the managed approach to growth (i.e. ongoing or subject to review).** The Victorian Government notes that Canada has committed to trialling its own such cap model for two years.

Many education providers are already planning and recruiting for their 2025 and 2026 international student intakes. In this context, **communication from the Australian Government on timeframes and transition arrangements is a critical consideration, both for the number of international students recruited and enrolled and for the implementation of the proposed penalties for exceeding enrolment allocations.**

Of immediate importance is also the definition of 'new student' given the Australian Government will be given the power to limit enrolments of new students from 2025, with overall enrolment numbers to be limited from 2026. **If 'new students' refers to students commencing a new course with the same provider, transitioning through a transnational education (TNE) pathway, a non-award or ELICOS pathway, this could prove to be disruptive for the sector.**

Further clarity is sought on the proposed implementation of a link between international student numbers and the supply of purpose-built student accommodation (PBSA) available to both domestic and international students, with the availability of student accommodation noted in the

Explanatory Memorandum to the Bill as a factor the Minister may consider when setting enrolment limits. The issue of housing supply and affordability is complex^{viii}, encompassing a web of economic, planning, construction, financial, and supply and demand drivers. **It is important to acknowledge that PBSA is not the only option available to house international students.** Only some cohorts of students tend to access PBSA due to the relatively higher cost and limited accommodation offerings (usually studio apartments with shared facilities). The Australian Government may wish to take a location-based approach including but also looking beyond PBSA to determine the best mechanism(s) by which to increase the availability of student housing while minimising impacts on the wider Australian population.

Impacts of the proposed changes

Implementation of the proposed changes could have significant impacts on the economy (at the national and subnational level), the international education sector and Australia's reputation for international education, both within and outside Australia.

International education's recovery trajectory

Victoria's international education sector continues to recover from the impacts of the COVID-19 pandemic. Victoria's international education export revenue declined from \$13.7 billion in 2019 to \$6.9 billion in 2021.^x In the same period, its international student enrolments fell by 26 per cent and commencements decreased nearly 50 per cent.^x

When considering implementation of the proposed changes, the Australian Government should consider a principle of no **significant disadvantage for any jurisdiction relative to others**. The Australian Government should also take the impacts of the COVID-19 pandemic into account, including jurisdictions' varying recovery trajectories.

Victoria has experienced a slower pace of recovery compared to other Australian states and territories. International education export revenue returned to growth in 2022 and Victoria has seen strong commencements growth in 2023, but **international student enrolments are yet to fully recover, with 2023 enrolments 7 per cent below 2019**.^{xi} In contrast, **all other Australian jurisdictions except for Tasmania saw growth in their 2023 enrolments compared to 2019**.^{xii} It was anticipated that Victoria's world class education offering would support a sustained return to international enrolments growth over time. However, **as it stands, Victoria may be disadvantaged relative to other jurisdictions with a managed growth approach being put in place now**.

Economic impacts

The proposed changes are likely to have macro-economic implications that should be considered. Notably, while the economic contribution of the international education sector is typically couched in terms of exports, its broader economic contribution is not always well understood. **International students are a driver of GDP/GSP growth**. Recent NAB analysis shows that with the return of international students, education exports contributed 0.8 percentage points to GDP growth over 2023.^{xiii} Additionally, **international students and graduates contribute to Victoria's and Australia's ability to address skills and workforce needs**. International graduates are qualified for roles in priority industry sectors and can help to address skilled workforce shortages. While they are studying, many international students also contribute economically, in lower skilled or casual positions.

In considering the implementation of the power to limit international student enrolments by location, the Australian Government may wish to consider that each jurisdiction has a different metropolitan and regional footprint, and that economic impacts may be localised. **Victoria may be disadvantaged overall if the current definition of 'regional' (everywhere outside Melbourne, Sydney and Brisbane) continues to hold, and a greater number of places are allocated for regional study**, as Victoria does not have as many large regional education providers as New South Wales and Queensland.

Subsectoral impacts

The Victorian Government anticipates that the impact of the measures proposed in the Bill will vary by subsector as well as by education provider.

Universities

Impacts of a managed approach, including enrolment allocations, are anticipated to be significant for universities. Victorian universities are yet to fully recover from impacts of the pandemic. Annual reports published by Victorian universities demonstrate that only four such institutions reported an operating surplus in 2023, with another four operating at a net loss that year.

Across Victorian universities, 2023 revenue from onshore international students was \$3.6 billion,^{xiv} underlining the importance of international students to universities. The 2024-25 Federal Budget focused on measures to support students with cost of living and access but did not provide a significant increase in funding for universities for the provision of teaching, learning or research. **If international student fee revenue is significantly reduced without commensurate increase in Australian Government funding, this may result in localised impacts, such as increased redundancies and job losses.**

The ability of universities to adequately fund their research activities may also be impacted. Investment in research by Australian universities is subsidised by international student revenue.^{xv} Should universities need to decrease research output due to lack of funding, they are likely to face greater difficulties in maintaining research excellence across all fields of education, impacting their global rankings. Without additional government funding, and with limits on international student numbers, universities may need to cut their course offerings, a decision which would impact both domestic and international students.

Consideration should also be given to the **treatment of universities with interstate branch campuses** – particularly in terms of what is considered ‘regional’. Several regional providers have interstate branch campuses in Melbourne which enrol international students.

TAFE

State and territory governments will need to play a key role in any negotiations with the TAFE subsector on international student allocations, given their responsibility for TAFE governance and shared stewardship of the skills system with the Australian Government. Consultation with state and territory governments and other stakeholders prior to the implementation of a managed approach will help to minimise impacts on this subsector.

International students at TAFEs tend to be full-time, enrolled over longer periods of study and spend time on campus, adding to the positive experience for all students. The presence of international students also means that TAFEs may be able to deliver courses where lower domestic student numbers would mean the class would not be financially viable.

Private VET and higher education providers

The Australian Government's introduction of changes to student visa settings as part of **the Migration Strategy is already increasing pressure on providers**, which may be compounded by the impacts of more closely managed enrolment numbers.

Visa grant rate data and feedback from peak bodies indicates that the private VET and higher education subsectors have already been substantially impacted by the changes to student visa policy settings. In the month of March 2024, the primary student visa grant rate for Victoria's VET subsector was just 42.9 per cent, down 36.8 percentage points on the primary student visa grant rate for the month of June 2023 (79.7 per cent).^{xvi} Peak bodies have shared with the Victorian Government that several of their members are facing course closures or undergoing significant restructures.

ELICOS, schools and non-award

The ELICOS, schools and non-award subsectors have also experienced adverse impacts on their operations due to COVID-19 border closures and the rapid implementation of the Migration Strategy. The Victorian ELICOS primary student visa grant rate has declined by around 18 percentage points in the past 12 months, from 89.6 per cent in April 2023 to 71.7 per cent in April 2024.^{xvii}

For schools, Student Guardian (subclass 590) visas are seeing increased delays and refusals, in effect locking out international school students by locking out their guardians. Further, there are currently around 1,900 fee-paying international students in Victorian government schools whose visa status is as a dependent under their parents' visa. This school-dependent visa cohort represents 31 per cent of all international students enrolled in government schools^{xviii} and contributes approximately \$21 million annually to the Victorian economy through school fees. This revenue stream will be impacted if international students' parents are affected by the managed approach to growth.^{xix} Victorian international school graduate pathways should also be considered as part of the managed approach. The majority of Victorian international school students go on to further study in Australia.

Unintended consequences of the proposed changes

The Victorian Government notes the Australian Government is proposing to regulate a sector that has to date largely operated under regulation focussed on quality and integrity, rather than growth. It is possible that further **unintended consequences may flow from the intervention of government regulation** in this space. In determining an allocation for international student enrolments by provider, by course, or by geographical designation, the Australian Government is distorting natural supply and demand dynamics. It is unclear how the market will respond, both in terms of demand for education services (prospective students) and supply of education services such as types or locations of courses offered (education providers).

The Victorian Government notes that the Bill proposes to confer significant new powers on the Minister for Education and the Minister for Training and Skills to regulate the provision of education to international students, which to date has been the responsibility of regulators.

Education providers in Australia operate within a framework of strict and updated legislation, and are well regulated by the Australian Skills Quality Authority (ASQA), Designated State Authorities (DSAs), and the Tertiary Education Quality and Standards Agency (TEQSA), leading to a generally high standard of quality and performance. There are several Australian Government authorities and departments, including the Department of Home Affairs and the Department of Education and Austrade, which hold responsibility for engaging with international education providers in various capacities. The scope of the powers the Bill confers on the Ministers should be considered in the context of this existing robust framework of regulation, the plethora of Australian Government authorities and departments with responsibility for oversight of various parts of the sector, as well as the forthcoming establishment of the Australian Tertiary Education Commission. Further fragmentation of the governance of the sector may lead to unintended consequences such as policy and regulatory overlap and conflict.

Adverse impacts on social license, genuine education providers and students

The Nixon and Parkinson reviews identified serious quality and integrity issues across Australia's visa system, including some cases of exploitation of the student visa system by unscrupulous education agents and non-genuine providers. The Victorian Government supports the intent of Australian Government measures to enhance the quality and integrity of Australia's international education sector, including through the Bill and the Draft Framework. However, if one of the intentions of the proposed measures is to **maintain social license for the international education sector in Australia, an important consideration is ensuring a clear distinction between the actions of unscrupulous education providers and agents, and the operations of the sector as a whole.**

The Victorian Government **cautions against the implementation of changes which will have an adverse impact on the sector's genuine education providers and students, Australia's reputation**

as a quality and welcoming study destination, both within and outside Australia, and the student experience of studying in Australia. The actions of a few education providers and unscrupulous actors in the sector should not be seen as a broader reflection of how the sector operates. **Many Victorian education providers, including the state's public universities, TAFEs, and most private VET and higher education providers, demonstrate excellence in delivery of international education.**^{xx}

Impacts on education provider business models

Providing any Minister in future with the ability to change enrolment limits at their discretion may lead to the unintended consequence of making **delivering education services to international students a more uncertain and high-risk proposition for education providers**. This could be compounded by the proposed new ministerial power to automatically suspend and cancel specified courses on the basis of systemic issues, their value to Australia's skills and training needs and priorities, or if it is in the public interest.

Separately, some international students may come to onshore study in Australia through articulation arrangements via TNE partnerships. **If there is not some flexibility in the overall allocation for future years, such arrangements may be jeopardised** and the reputation and viability of Australia's TNE offerings impacted.

Impacts on international student decision-making

International students, as global consumers of education products, have agency. If the available allocation of places for study in Australia does not align with prospective students' desires or expectations, **they may choose not to study in Australia at all**, instead choosing an alternative study location or pathway. This in turn leads to a risk of resource misallocation – in other words, the allocation of enrolment places for a provider, subsector, or location that are not taken up by prospective students.

Lack of certainty around the implications of the new approach for prospective students may also reduce Australia's attractiveness as a study destination. As such, there is a clear need for **strong alignment between Australian Government authorities and departments, including the Department of Home Affairs, the Department of Education, the Department of Employment and Workplace Relations and Austrade, as well as coordinated messaging** to maintain Australia's reputation as a welcoming study destination.

While international education can play a role in supporting the delivery of courses which provide domestic and international students with the skills that Australia needs, it **may not be appropriate for governments to determine that international students must study courses aligned to Australia's skills needs**. While international students contribute to skilled migration, four out of five international students do not transition to a permanent visa, and eventually leave Australia.^{xxi} There is potential for misalignment if the Bill draws too close a link between Australia's skills needs and the courses offered to international students, as **international students may wish to upskill in an area of skills demand in their home country** rather than Australia's areas of skills needs.

Impacts on subsector diversity

Diversity is a critically important consideration for Australia's international education sector, including subsector diversity. While higher education is Victoria's largest subsector for international enrolments (around 46 per cent of the total in 2023^{xxii}), Australia should seek to avoid an over-reliance on any one subsector due to the risk of subsector specific downturns. The fact that international students often pathway between subsectors as part of a legitimate study trajectory should also be considered in this context. The latest available data on course pathways for international students demonstrates that, of all international students commencing in higher education in 2021, around 15 per cent completed prior studies in ELICOS, a further 15 per cent completed prior studies in the non-award subsector, and 10 per cent completed prior studies in VET. Short-term overemphasis on higher education at the expense of other subsectors may adversely impact higher education longer-term, as fewer students progress to higher education through these important pathway subsectors.^{xxiii}

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- ⁱ [Australian Department of Education, International student numbers by country, by state and territory.](#)
- ⁱⁱ [Australian Bureau of Statistics, International Trade: Supplementary Information, Calendar Year 2023](#), Table 3.
- ⁱⁱⁱ Victorian Department of Jobs, Skills, Industry and Regions internal estimates.
- ^{iv} [Study Melbourne, Future Founders Scholarship Recipients 2024.](#)
- ^v [Study Melbourne, Victorian International Education Awards 2023.](#)
- ^{vi} International Visitor Survey, year ending December 2023, Tourism Research Australia, released March 2024.
- ^{vii} [QS Best Student Cities 2024.](#)
- ^{viii} Property Council of Australia, [Myth busting international students' role in the rental crisis](#)
- ^{ix} Australian Bureau of Statistics, International Trade: Supplementary Information, Calendar Year 2023, Table 3.
- ^x Australian Department of Education, International student data – full year 2023 (based on data finalised in December 2023).
- ^{xi} *ibid*
- ^{xii} *ibid*
- ^{xiii} [NAB, Markets Research: Macro-Thematic.](#)
- ^{xiv} Victorian Department of Jobs, Skills, Industry and Regions internal analysis of 2023 universities annual reports.
- ^{xv} Australian Government, *Australian Universities Accord Final Report*, p. 216.
- ^{xvi} Department of Home Affairs, Student visa program, BP0015 Student visas lodged at 2024-04-30.
- ^{xvii} *ibid*
- ^{xviii} Victorian Department of Education internal data.
- ^{xix} *ibid*
- ^{xx} [The PIEoneer Awards 2024.](#)
- ^{xxi} Grattan Institute, [Migrants in the Australian Workforce: A Guidebook for Policy Makers](#), p.46.
- ^{xxii} Australian Department of Education, International student data – full year 2023 (based on data finalised in December 2023).
- ^{xxiii} Australian Department of Education, Pathways for international students on a student visa (2021).