

Inquiry into Australia's international education and tourism sectors

**Navitas submission
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Submitted on behalf of Navitas by:

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1. Introduction

1.1 Navitas is an Australian based global leader in international education

Navitas is an Australian company founded in Perth in 1992 to support international students to transition to a higher education learning environment. In 2022, Navitas continues to be headquartered in Perth, but is a global company delivering international education, domestic higher education and government services programs in many countries.

Navitas operates campuses in all the major destination countries for international education – including Australia, New Zealand, Singapore, the United Kingdom, Canada, United States and mainland Europe (Netherlands and Germany). Navitas also operates 32 recruitment offices in 23 key markets, with over 300 in country staff assisting students to pursue international education. This provides Navitas with a unique perspective on trends and developments in international education globally – from both the source country and destination country perspective.

In Australia, Navitas partners with nine Australian universities to deliver pathway programs to international and domestic students to support them to succeed in their higher education studies. Navitas also operates four campuses on behalf of Australian universities which attract international students – two campuses in Australia, as well as campuses in Dubai and Singapore. Navitas also operates English language colleges through Navitas English which are primarily focused on English for academic purposes programs. In addition to this, Navitas' two standalone higher education providers, SAE Institute and Australian College of Applied Professions, attract small numbers of international students.

Our response draws on our direct experience as a leading international higher education company, as well as the role we play in market insights and sector thought leadership. This includes through drawing on:

- **Navitas' education agent survey**, which we operate two time a year since March 2020 and has provided the sector with an understanding taking into account of the key trends in terms of pandemic recovery, student decision-making and agent advice and Australia's competitive position compared to other destinations.
- **Navitas' global students flows model**, which forecasts global demand for international education across over 100 source countries considering key population and demographic, economic and participation factors.
- **Global Survey of International Education Leaders (GSIEL) in partnership with Nous Group**, which was undertaken in October 2022 and offers insights on perceptions of university leaders across Australia, the United Kingdom and Canada.
- **Navitas' global visa grant cube**, which brings together national data sets for key destination countries to understand recent trends in demand for international education and competitor performance.

In this way Navitas is unique in Australia and we share our insights and recommendations based on this diverse experience and expertise on the **international education sector**.

1.2 The Joint Standing Committee is seeking to understand the impact of the COVID pandemic on the tourism and international education industries and identify ways forward

The Joint Standing Committee on Foreign Affairs, Defence and Trade (JSCFADT), through its Trade subcommittee, was requested by Minister for Trade and Tourism, Senator the Hon Don Farrell, to inquire into Australia's tourism and education sectors.

Navitas welcomes the opportunity to contribute to the work of the Joint Standing Committee given the critical role that Navitas plays in supporting both the public and independent international education sectors. The following submission outlines feedback from Navitas against the Terms of Reference of the committee.

1.3 Navitas puts forward a range of recommendations to support the sustainable recovery of the international education sector following the impacts of the COVID pandemic

Navitas' submission provides a series of recommendations for consideration for the committee based on our sector analysis and delivery experience. The remainder of the submission is structured into three sections:

- **Context and Australia's competitive position**, which provides analysis on the global competitive landscape, including recovery of student numbers in Australia and other major destinations and insights from Navitas' agent survey.
- **Challenges for the international education sector**, with recommendations provided in relation to key challenges facing the sector – namely learning loss of students globally due to school closures during the COVID pandemic, increasing numbers of non-genuine students in Australian international education and potential challenges around source country diversification within the sector (see recommendations 1 to 7).
- **Opportunities for the international education sector**, in particular considering the opportunities for Australia to better utilise international graduates to support Australia's long-term skills needs and recommendations that would support this (see recommendations 8 and 9).

The recommendations are summarised in Figure 1 below.

Figure 1 | Summary of Navitas recommendations

Navitas recommendation
Recommendation 1. Closely monitor student outcomes and admissions levels for students that have had their education disrupted due to the COVID pandemic to ensure they are receiving appropriate levels of support and admissions settings are appropriate.
Recommendation 2. More strongly encourage English language following COVID disruptions study through addressing practice of visa refusals for students that have chosen to undertake longer-term ELICOS programs.
Recommendation 3. Continue to monitor the impacts of extended work rights on visa compliance once uncapped work rights are removed from 1 July 2023.
Recommendation 4. To address non-genuine student concerns, actively enforce the six month "restrictive period" as part of student visa legislation to ensure that students are genuine and do not transfer to lower cost providers once they have arrived in Australia.
Recommendation 5. Amend visa settings so that student visa risk under the Streamlined Student Visa Framework sits with the enrolled provider, and there is not a 'trailing visa' for providers once a student has transferred to another provider.
Recommendation 6. The Australian government should continue to play a leadership role in market identification and market entry support, including through policy coordination across agencies that play a role in international education.
Recommendation 7. Make adjustment to the existing visa system to support strategic sector and government objectives around source country diversification – including through pilots, new approaches or alternative mechanisms.
Recommendation 8. Amend the Genuine Temporary Entrant (GTE) visa requirements to recognise that genuine students may have a migration intention – including through changes visa requirements to focus on 'genuine students' and revising processes to not punish students that may have a migration intention.
Recommendation 9. Provide clearer pathways to permanent migration for international students and graduates, through targeted changes to the skilled migration points system.

2. Context and Australia's competitive position

2.1 International education continues to be a critical industry for Australia

Prior to the COVID pandemic international education was worth almost \$40 billion in export revenue

The international education industry and international students are key contributors to the Australian economy and society. At its peak, there were over 950,000 international student enrolments in Australia each year – including across the higher education, vocational, English language (ELICOS) and schools sectors. Pathways programs are a key part of the sector, with pathways students at the Diploma or Foundation level representing almost 30 per cent of all commencing undergraduate higher education students in 2019. Prior to the impacts of the COVID pandemic, international students contributed almost \$40 billion in export value – including both institution fees and expenditure on other goods and services – making it Australia's largest services export.

It also directly contributes to local economies, small businesses and Australia's tourism sector

While \$16 billion of the export value of international education comes in the form of fee revenue paid to institutions, the remaining \$24 billion (or 60%) is directed to other important areas of the economy. This includes flows to local businesses through spending on accommodation, transport, retail, food, and other costs.

In addition to this, international students provide a valuable workforce in retail, hospitality, and other industries, with many students choosing to work during their studies. There are also significant economic benefits from visiting friends and relatives, including for the tourism industry through flights, accommodation and other consumption spend. The loss of international students over the past few years as a result of the pandemic has therefore been felt across many regions, communities, and parts of the economy.

The benefits of international education go far beyond the economic benefits

In addition to the financial benefits outlined above, international students provide a range of social and cultural benefits to Australian society. This includes its role in facilitating cross-cultural exchanges, including through enriching the experiences of Australian domestic students, creating influential alumni networks in key countries across the region and the world and supporting opportunities to attract the best and brightest to work, live and settle in Australia. In this way, international education not only provides clear economic benefits, but it also supports broader strategic and foreign policy objectives of Australia.

2.2 The international education sector has experienced significant losses since borders closed in early 2020, but globally the post-pandemic recovery is well underway

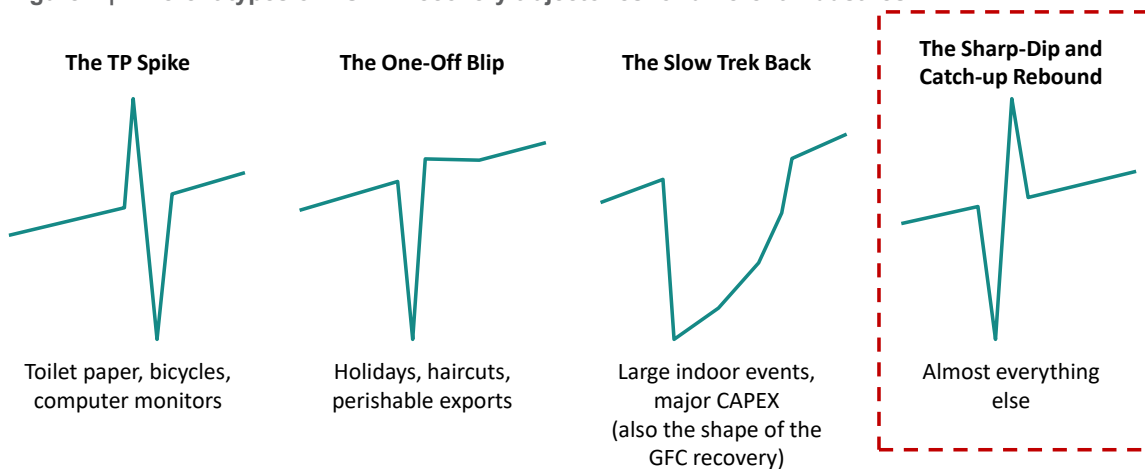
Almost all Australian providers saw a significant loss of student numbers and revenue as a result of border closures due to COVID-19

Intakes for international education providers were immediately impacted following the announcement of border closures to students from mainland China in February 2020. Despite many students making alternate arrangements to travel to Australia, semester 1 intakes were lower than previous years. Since then, Australian international education providers have seen significant year-on-year declines. Based on the most recent data available from the Department of Education, student load (measured by EFTSL) was down 8% in 2020 compared to 2019 and commencing EFTSL was down almost 20%. This impact was not experienced equally with some providers experiencing much more substantial declines in student numbers over this period. Data is not yet available for 2021, but it is expected more significant declines in commencements will have occurred, which will have further exacerbated the impact on student load for most higher education providers.

Despite the impact, we would expect the re-opening of borders will have triggered ‘pent up demand’ as we have seen for other major destination countries

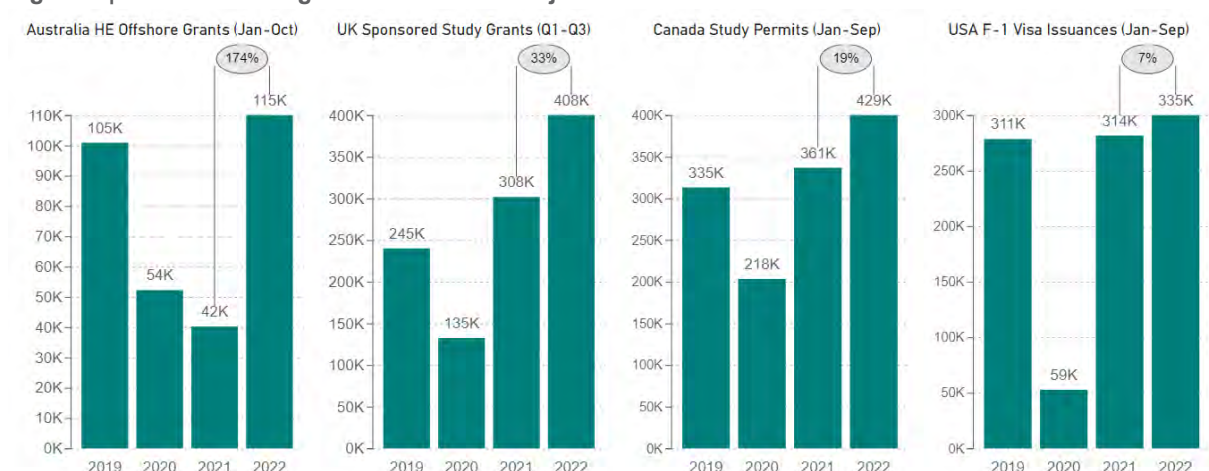
The COVID pandemic has had a different impact on demand for different goods and services - as shown in Figure 2 below. For international education, we would foresee that demand would follow the ‘sharp-dip and catch-up rebound’ trajectory’ with students largely resilient in maintaining their plans to study overseas.¹ While closed borders up to December 2021 meant this demand to study in Australia was ‘pent up’, the sector is starting to see the release of this demand.

Figure 2 | Different types of COVID recovery trajectories for different industries



Many destination countries had already seen this recovery in 2021. The United States, United Kingdom and Canada all had a higher number of student visas granted in 2021 than in 2019 (the year prior to the pandemic) – as shown in Figure 3. While this recovery was later for Australia, it too has now seen offshore visa grants recover to levels higher than 2019, with over 115,000 higher education visas granted offshore between January and October 2022.

Figure 3 | Education visa grants across four major destination countries



There will be long-term impacts of the COVID pandemic on the international education sector

Despite strong signs of recovery, there will be long term impacts on the health of the international education sector. In particular, Navitas identifies three issues that will mean the impact of the COVID shock will be long lasting:

¹ This has been consistently identified by QS and other student surveys.

- **There has been a loss of capacity and expertise in the international education sector.** Staff losses and small numbers of college closures due to minimal revenue with closed borders, particularly in the ELICOS sector, has reduced the capacity and expertise within the sector. Further to this, there are many impacts that are less visible with institutions scaling back or consolidating their program offerings. The reduction in ELICOS capacity within individual institutions, and the sector more broadly, is a good example of this.
- **Path dependency is likely to mean more future students will choose other destinations.** As a result of forced shifts in study destination choices away from Australia for cohorts starting study during the past few years, other students may choose alternate destinations. Students and their families often consider a range of factors in deciding where to study – including if there are siblings in the same country, whether the family owns property or holds an existing lease, and whether there are relatives with whom they can reside. As a result, the loss of several intakes during the initial period of the pandemic is likely to impact future cohorts – with more potential students having their choices biased away from Australia.
- **Australia’s systemic advantages in its past recruitment activities has been diluted over the past two years.** This includes the weakening of historically strong marketing, recruitment and admission teams, including those in market with expertise in the field. It also includes weakened relationships with Australia and other markets over this period, as well as risks that Australia focused desks and departments within education agencies have shifted towards other destinations in order to fulfil students’ needs and their own commercial imperatives.

All of these factors will mean that the loss will not only be immediate, but rather will impact intakes over the medium to long term.

2.3 This is a period of fierce competition, but Australia is in a good position with strong recovery since borders re-opened in late 2021

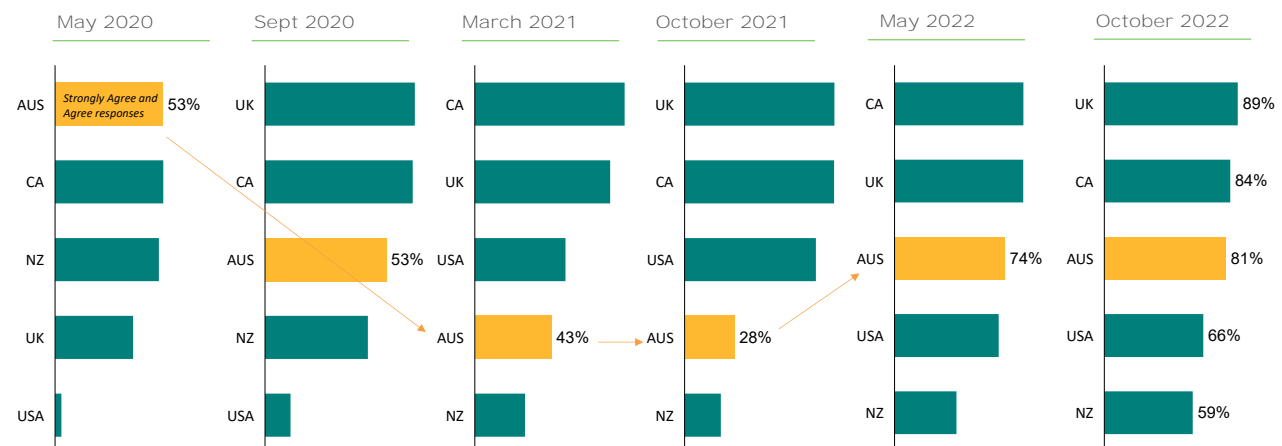
The attractiveness of Australia as a destination has recovered quickly since borders reopened

Navitas has been actively tracking market sentiment through a survey of our agents globally since the beginning of the pandemic. With agents representing over three-quarters of inbound students, this provides a valuable source of intelligence on Australia’s competitive position and emerging trends and challenges in key source countries.

At the beginning of the pandemic, Australia demonstrated a strong public safety response and stability in its management of the COVID pandemic. This was attractive for students and agents. However, as the pandemic progressed Australia’s closed borders meant it was a less attractive destination compared to other competitor countries. Since borders have re-opened, Australia has recovered its attractiveness as a destination. This trajectory over a two-and-a-half-year period is shown in Figure 4 below.

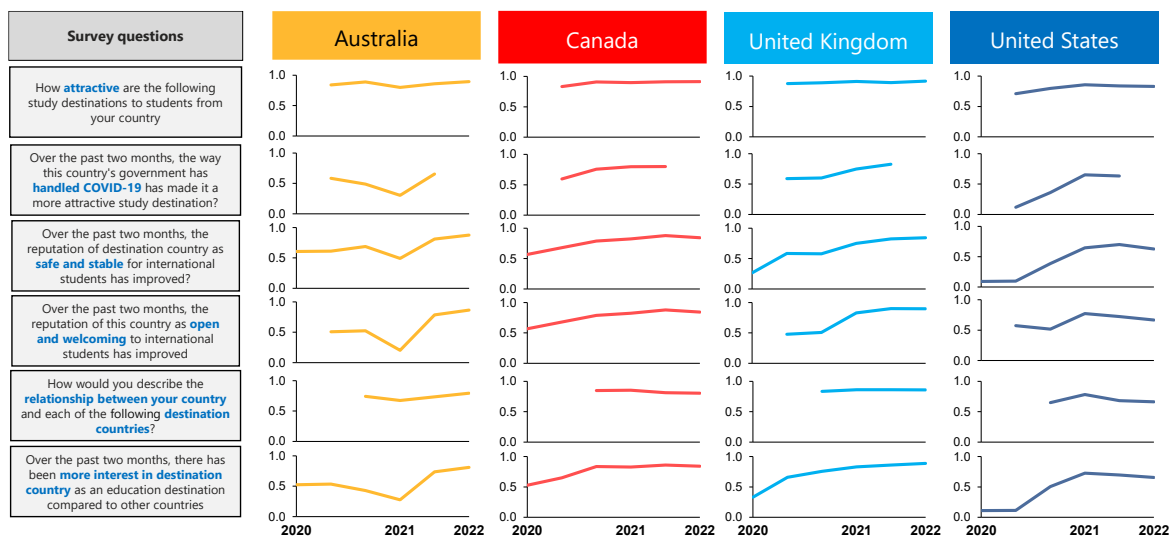
Figure 4 | Student interest in destination countries over time

Q: Over the past two months, there has been more interest in this country as an education destination compared to other countries



In addition to this overall question on interest, we also ask a range of different questions that indicate the attractiveness of a destination. Below we show the trend across the six surveys conducted from May 2020 to October 2022. Across each dimension, Australia shows a strong recovery, with a consistent uptick in 2022. October 2022 results are particularly promising, reflecting a surge in perception of Australia as a safe, stable and welcoming destination.

Figure 5 | Destination countries across key dimensions



All major international destinations currently have positive policy settings – making this the most competitive period of international education in its history

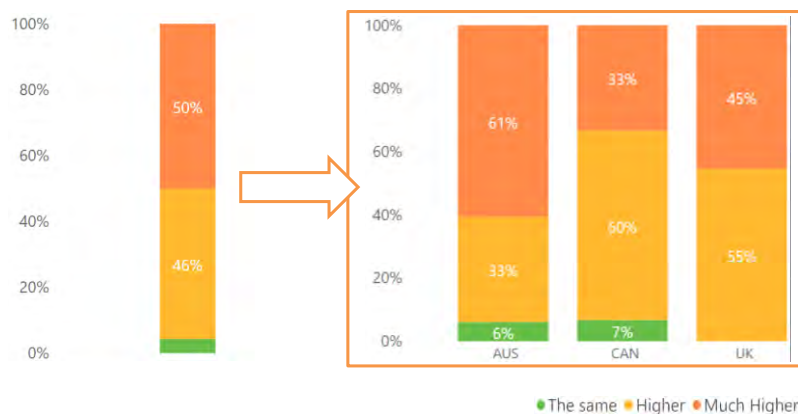
As shown above, the attractiveness of each destination country is relatively strong. In part, this reflects positive policy settings that are favourable to international education in each of these four countries. However, emerging challenges in these destination countries, including anti-international education sentiment, might mean that there are opportunities for Australia to experience a narrow window of competitive advantage in the upcoming period.

Navitas has also partnered with Nous Group to undertake the Global Survey of International Education Leaders (GSIEL) for the first time in November 2022. This includes over 100 responses from senior leaders in universities that work in international education across Australia, the United Kingdom and Canada.

Results from this survey support that the period following COVID will be even more competitive than the period prior to the pandemic. Ensuring settings are right is important to support international education providers in this highly competitive environment.

Figure 6 | International education leaders view on sector competition

Q: Over the next three years competition in the recruitment of international students will be at a level that (compared to pre-pandemic) is:



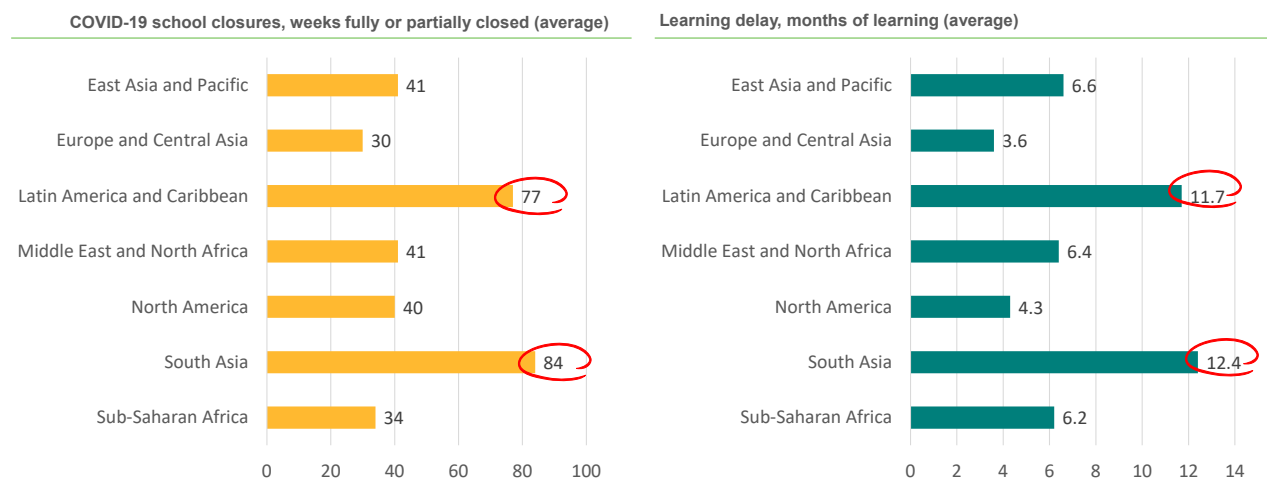
3. Challenges for the international education sector

Navitas identifies that there are three broad challenges for the international education sector as it seeks to rebuild in a sustainable manner following the impacts of the COVID pandemic and associated border closures. Each of these are discussed in turn.

3.1 Students around the world have experienced learning loss due to the pandemic, these students need to be appropriately supported

The pandemic disruption hit many aspects of life across the world, and particularly the delivery of secondary education to prospective international students in our key markets. Around the world, many schools were closed for extended periods, with varying, and in many cases minimal, levels of online learning opportunities for displaced students. As shown in the figure below, school closures were highest for students from Latin America and South Asia, but across most regions of the world students have missed on average more than 40 weeks of learning in a face-to-face school environment. McKinsey estimates that school closures have resulted in on average 6 months of learning delay, and up to 12 months of learning delay in Latin America and South Asia – both key international education markets for Australia.

Figure 7 | School closures and learning delay in world regions²



This has impacts on the readiness of many of these students for university level study. In addition to this, global studies point to students’ mental health being severely impacted during the pandemic. 71 per cent of senior school students (age 15 to 18 years) reported negative mental health impacts, with 14 per cent reporting severe impacts from the pandemic. The school leaver aged cohort reported the highest level of negative impacts from the pandemic.

It is important these student cohorts are supported to succeed during their university level study. Given the impacts outlined above, Navitas proposes two recommendations:

1. **Close monitoring of student outcomes for these student cohorts and admissions levels.** Student outcomes should be closely monitored to ensure that students are receiving appropriate levels of support. Admissions levels of universities should be closely monitored by TEQSA to ensure that students that are admitted are well-equipped to succeed. Students identified as likely to succeed but needing additional supports should be streamed through pathway programs to ensure they have appropriate foundational skills before transitioning into their university studies.

² McKinsey (2022) ‘How COVID-19 caused a global learning crisis’

2. **Greater encouragement of English language study.** Student visa applicants who choose longer duration English language programs have a higher risk of visa rejection. Given the importance of English language proficiency to academic success and the additional needs many students will have due to the impacts of the pandemic, Home Affairs should change visa assessment practices to ensure students who choose longer-term ELICOS programs are not negatively assessed through the application of GTE provisions.

3.2 Increasing numbers of non-genuine students risks damaging Australia's reputation

In response to the COVID pandemic and short-term labour force requirements of the Australian economy, the previous government removed the limit on work rights for international students in response to workforce shortages. Whereas previously, students were only able to work 40 hours per fortnight, over this past period their work rights have been 'uncapped'.

While Navitas understands the decision that was made at this time, we are concerned that this has had a negative effect on the sector in a number of ways:

- **Students have been negatively impacted with many pursuing the work opportunities available to them at the expense of their studies.** Given the availability of work rights for student visa holders, many students have chosen to work extended hours at the expense of their studies. In part, this has been driven by family pressures. Navitas and other providers across the sector have seen a disengagement from many students through reduced attendance and higher drop out rates.
- **The policy settings have stimulated increased demand from non-genuine students,** with an increasing numbers of student visa applicants gaining visas for the purposes of work, not study. In this way, the student visa in some instances has represented a low cost, de facto work visa whilst full work rights have been available. This undermines the integrity of the student visa in some parts of the sector.
- **Unscrupulous providers and agents are seeking to exploit these current policy settings,** which in turn is resulting in negative downstream effects for high-quality international education providers, such as Navitas. This includes onshore 'poaching' where students move to lower cost providers who typically have reduced face-to-face learning or lesser attendance requirements. **These providers are also protected under the current visa settings** as their 'provider risk rating' is not impacted by non-compliance of onshore transferring students due to risk remaining with the recruiting provider as a 'trailing risk' despite them having no connection with a student no longer studying with them.

The concerns listed above risk undermining Australia's reputation as a high-quality international education destination. For this reason, Navitas welcomes the government's recent announcement that uncapped work hours will cease from 1 July 2023. However, we believe the following three recommendations are necessary to ensure this behaviour is discouraged:

3. **Ongoing monitoring of the impacts of extended work rights on visa compliance.** In the current global economic environment, it is likely there will be ongoing visa compliance challenges when work rights are again capped in July 2023. This will need to be close monitoring supports for students who experience a return to restrictions as a substantial limiting of their livelihood
4. **Active enforcement of six-month restrictive period requirement.** Currently students are required to remain with their primary provider for a period of at least six months. This is an important safeguard to ensure that students are genuine and do not transfer to lower cost providers once they arrive in Australia. Active enforcement of this requirement is critical to ensure students are genuine and the system is not exploited.
5. **Removal of the 'trailing risk' for international education providers following onshore transfers,** ensuring that incentives and disincentives within the system are appropriately targeted. Attaching risk to the students current education provider when they transfer ensures that there are not perverse incentives to engage exclusively in onshore recruitment and that high-quality providers that invest in genuine offshore recruitment are not punished.

These changes will uphold Australia's reputation for high quality international education whilst ensuring that risks are appropriately managed and positive behaviours are incentivised with the system.

3.3 Diversification may pose challenges for the student experience and sector resilience

Diversification of source country enrolments is a key strategic issue for the international education sector. As an organisation with a truly global presence, Navitas is proud of our diverse student cohort and believe that diversification across the university sector supports a more resilient, sustainable, competitive industry with increased support in the Australian and community

Australia faces source country diversification challenges that are very similar to other major destination countries. While Australia has not yet been able to diversify away from its reliance on major source countries – namely China and large South Asian markets – other countries have also faced this challenge. No other major destination country has achieved a reduced reliance on China or South Asian markets in the past five years – as shown in Figure 8.

Figure 8 | Reliance on key regional market compared to overseas competitors

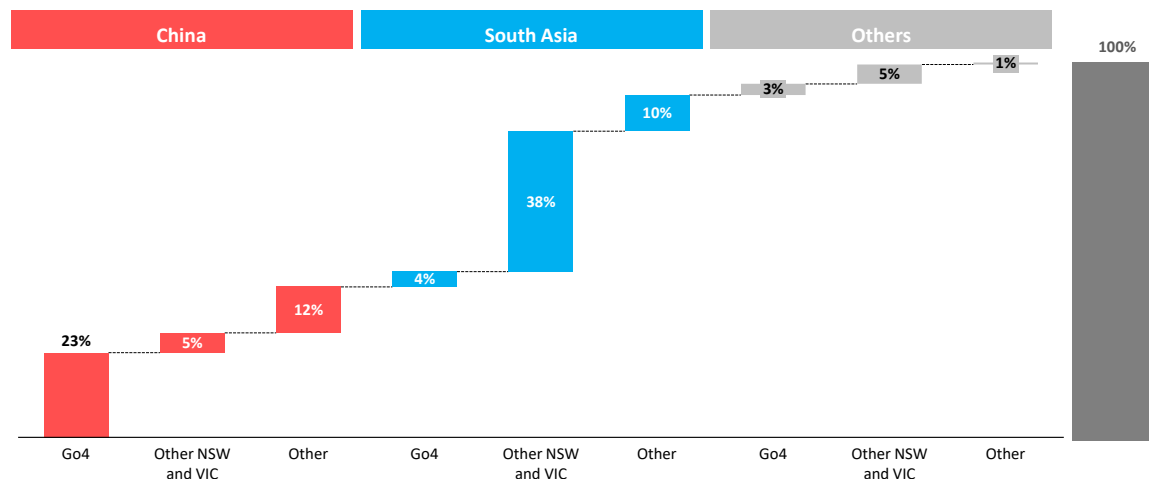
Change in South Asia and China as a share of all higher education students, major destinations, 2015 to 2019

COUNTRY	CHINA	SOUTH ASIA	OTHER COUNTRIES
Australia	+ 2 p.p.	+ 11 p.p.	-12 p.p.
United States	+ 3 p.p.	+ 2 p.p.	-5 p.p.
United Kingdom	+ 6 p.p.	+ 1 p.p.	-7 p.p.
Canada	-9 p.p.	+ 20 p.p.	-11 p.p.
New Zealand	+ 2 p.p.	+ 11 p.p.	-12 p.p.

In Australia, growth prior to the COVID pandemic was heavily concentrated in a small number of universities. As shown in Figure 9 below, almost a quarter of growth has come from Chinese students studying at the four Go8 universities in Sydney and Melbourne. While 38% of growth came from students from South Asia studying with other providers in Sydney and Melbourne. This concentration at the institutional level creates a risk of translating to polarisation at the system level.

Figure 9 | Provide type contribution to net national growth

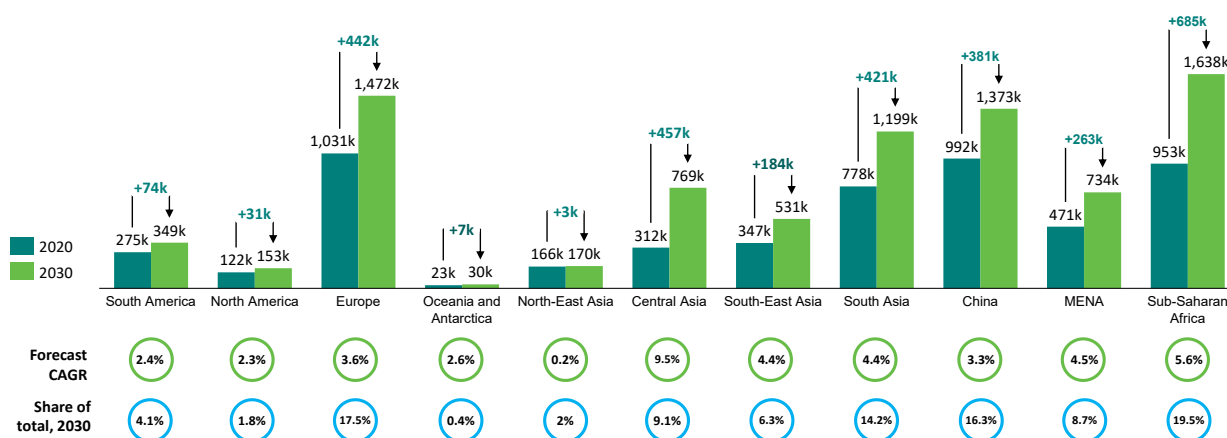
Percentage contribution to net student growth, based on provider type, source country and campus location, 2016 to 2019



The COVID pandemic has provided the international education sector with an opportunity to 'build back better'. It is important that approaches to diversification support new markets, without 'cutting off' or negatively affecting existing major source country markets. Navitas has undertaken detailed analysis of the long-term drivers of global student mobility to 2030 which gives valuable insight to diversification opportunities. China is projected to remain a dominant market globally, continuing to represent nearly 20 per cent of all students in 2030. Importantly though, the research shows there will be other markets that will grow substantially in the coming years – including sub-Saharan Africa – and these markets are critical to diversity within the sector and sustainable industry growth.

Figure 10 | Estimated total global tertiary student numbers by world regions

Comparison of actual 2020 global international student numbers and forecast student numbers in 2030



There are substantial challenges in recruiting in many of these markets as Australian international education providers resulting in them not being currently targeted by Australian providers. To this end, Navitas recommends action is taken in the short term to lay the groundwork for these diversification efforts and growth in new or non-traditional source country markets. Navitas recommends:

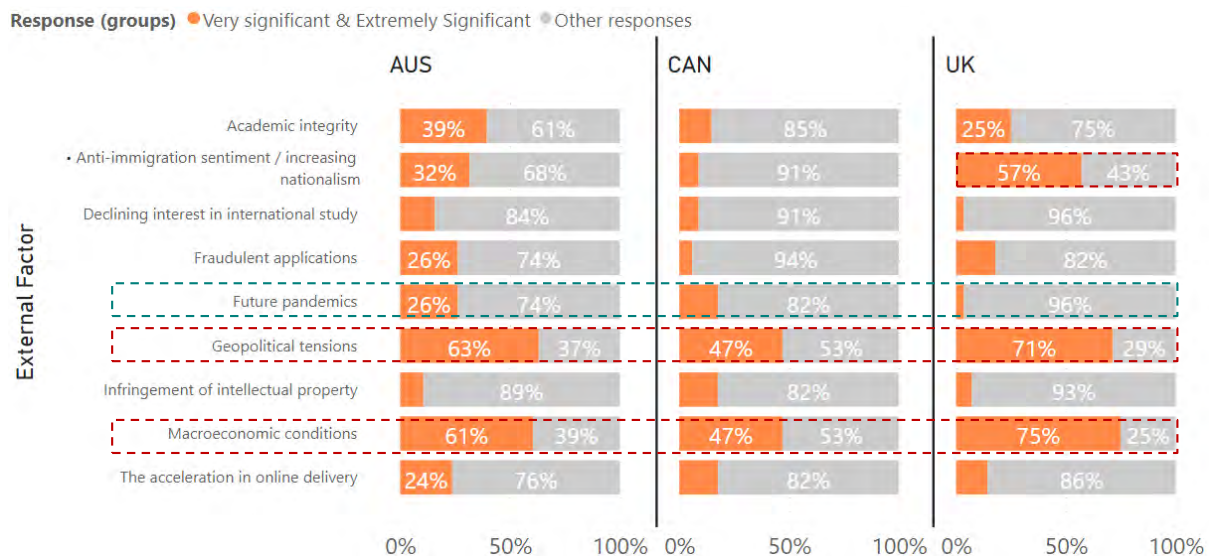
- Australian Government continuing to play a leadership role in market identification and market-entry support**, including through its Brand Australia activities, marketing investment and policy coordination across agencies that play a role in international education.
- Adjustments to the existing visa system to support strategic outcomes on diversification.**, New markets have limited track record evidence due to historically low student numbers which can result in high visa rejection rates and subsequent negative impacts on provider risk ratings. This results in many high-quality providers avoiding these markets, in turn contributing to concentrations of enrolments from 'safer' countries. The government needs to consider new approaches or alternative mechanisms to ensure the visa system best supports government and the sectors objectives around diversification and sustainability. This could include pilots limited to providers with a strong track record of delivering high quality and genuine students under the Streamlined Student Visa Framework (SSVF) system.

3.4 Many risks weigh heavily on the mind of university IE leaders, especially anti-immigrant sentiment, geopolitical tensions and macroeconomic factors

In addition to the above factors, Navitas also provides insights below on the risks currently giving concern to international education leaders in Australia, Canada and the United Kingdom. Most significantly, university leaders report geopolitical tensions and macroeconomics conditions as the greatest risks– as shown in Figure 11. Further to this, leaders from the United Kingdom, and a lesser extent Australia, are worried about anti-immigration sentiment and increasing nationalism. Given the nature of international education, challenges in one destination country may present increased opportunity for other destination countries. Developments in other international countries – including the emergence of anti-international education sentiment or anti-migration policies – are therefore important in considering opportunities for Australia.

Figure 11 | Estimated total global tertiary student numbers by world regions

Q: How would you rate the significance of the following risks for your university's internationalisation agenda?



4. Opportunities for the international education sector

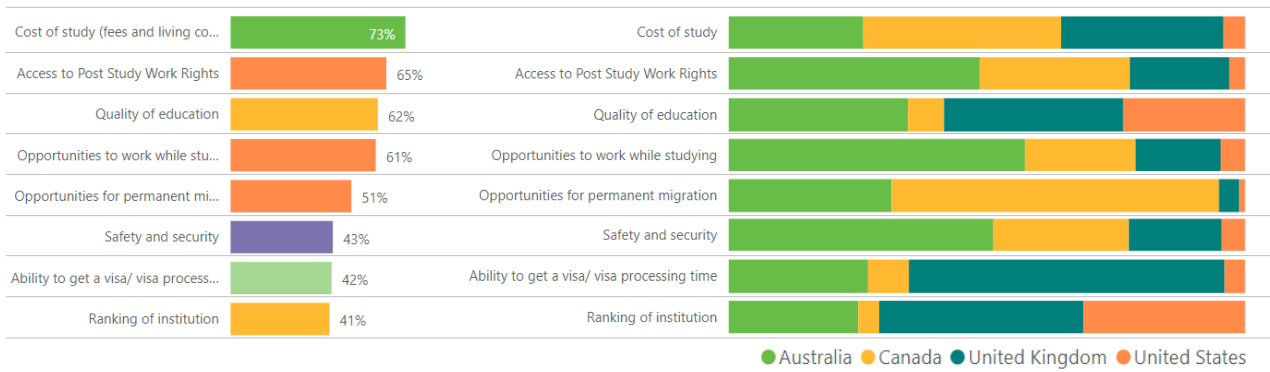
4.1 There are opportunities to better utilise international graduates to support Australia's long-term skills needs

The Australian economy is currently experiencing significant skills shortages across many areas of the economy and society. In large part, this is due to reductions in net overseas migration over the period that borders were closed due to the pandemic.

At the Jobs and Skills Summit, the government committed to reviewing and increasing post-study work rights by two years for students that are studying in areas of skills shortage. This is a positive move that will both support Australia's workforce needs in skills shortage areas and will increase the attractiveness of Australia as a destination to study for international students. As shown in Figure 12 below, access to post-study work rights is a key driver of students' decisions on which destination country they choose to study in and has been consistently identified (along with cost and quality) as a top three factor since the question was first asked in March 2021. Australia is now seen as the most attractive destination for many on this measure.

Figure 12 | Top factors for choice of destination and destination attractiveness according to agents

Q: What are the most important factors influencing student choice of study destination? (Top 7 factors). For each of the factors you selected in the question above, which is the most appealing destination? n=814



In addition to these changes, Navitas recommends two further changes that would support the dual purpose of supporting Australia’s skills needs and increasing the attractiveness of studying in Australia for prospective students. These are:

8. **Amending the Genuine Temporary Entrant (GTE) visa requirement to recognise that genuine students may have a migration intention.** The current requirements for students to declare they are a genuine temporary entrant and committing to not pursue migration to Australia is confusing for students and their families, particularly given the broader government narrative on the importance of skilled migration for Australia. Amending the visa requirements to focus on ‘genuine students’ and revising processes to not penalise applicants who indicate a migration aspiration will not diminish the integrity of the student visa and will be more welcoming to students that may wish to pursue longer-term opportunities in Australia.
9. **Providing clearer pathways to permanent migration for international students and graduates,** through targeted changes to the skilled migration points system, including additional points for the ‘Australian Study Requirement’ will provide a more attractive pathway for talent that has studied in Australia to settle in Australia. As outlined in the figure above, opportunities for permanent migration is a key decision factor for many students and positive messaging of opportunities for skilled migration through the student visa settings is an effective measure to attract students in to Australia.