

20 June 2024

The Hon Jason Clare MP  
Minister for Education  
House of Representatives  
Parliament House  
CANBERRA ACT 2600

The Hon Brendan O'Connor MP  
Minister for Skills and Training  
House of Representatives  
Parliament House  
CANBERRA ACT 2600

Dear Ministers

**The Draft International Education and Skills Strategic Framework's – impact on Federation University Australia's implementation of the Future Fed Program**

I am writing about the Draft International Education and Skills Strategic Framework's proposed reforms and the potential impact on Federation University Australia.

While I am supportive of reforms to improve the management of Australia's international education system, I am deeply concerned the reforms may pose an inadvertent risk to Federation's ability to continue to deliver higher education and vocational education and training programs from its Ballarat, Berwick Gippsland, Horsham, and Wimmera campuses.

I have attached a full submission on the reform's risk, potential solutions, and contextualised responses to the Draft Framework provided to your department on Friday 14 June 2024.

The Universities Accord Final Report highlighted that regional universities provide vital and accessible post-secondary despite facing significant financial challenges. This is particularly important to Federation, as a dual sector university. However, there is a risk the Draft Framework's reforms may make these challenges insurmountable, despite looking to provide certainty for regional universities in Australia's international education sector.

**The Draft Framework's reforms may undermine the \$20m cost reduction Federation has already undertaken to address reduced international student enrolments in 2023 and 2024.**

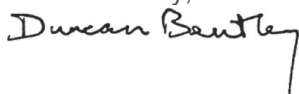
Yesterday, I announced that the Future Fed Program, which began in March 2024, has resulted in a proposed 163 roles being made redundant on top of 42 voluntary redundancies to achieve \$20m in annualised cost savings to return the university to surplus by 2026.

Federation is undertaking work to maximise its impact in the community. Our work aims to lift post-secondary attainment, connect students to regional employers, and innovate further to harmonise our higher education and vocational education and training programs.

Our work directly contributes to deliver the objectives inherent in Free TAFE, the Accord, the National Skills Agreement and Victorian Skills Plan, *A Future Made in Australia* initiative and the Greater South East Metropolitan region's ambitions to transform into a knowledge-based industry hub.

The uncertainty and continuing risks must be resolved urgently for Federation to deliver this work. As a result, I have sought a meeting with your respective secretaries in the week of Monday 24 June 2024 to discuss these matters further.

Yours sincerely,



Professor Duncan Bentley  
Vice-Chancellor and President

CC: *Prime Minister, Minister for Home Affairs, Minister for Immigration*

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# Federation University Australia

## Response to the Draft International Education and Skills Strategic Framework

19 June 2024

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## Overview

1. Federation University Australia's (Federation) submission on the proposed reforms set out in the Draft International Education and Skills Framework (the Draft Framework) provides a frank and cautious assessment of the risks to the delivery of post-secondary education from its Ballarat, Berwick, Horsham, Gippsland, and the Wimmera campuses.
2. In Federation's 2023 Annual Report, Federation's financial position through the COVID-19 pandemic and into 2023 was reported as follows:

### 3. TABLE 1: OUTCOME OF FINANCIAL POSITION BASED ON 2023 ANNUAL REPORT

	2019	2020	2021	2022	2023	Change from pre-COVID-19	Outcomes for Federation
<b>Commonwealth Grants</b> (Domestic Higher Education Student Revenue)	\$123m	\$134m	\$136m	\$130m	\$135m	+10%	Stable Revenue <sup>1</sup>
<b>Other Revenue</b> (Primarily international student higher education revenue)	\$223m	\$176m	\$165m	\$99m	\$129m	-42%	Falling Revenue
<b>Total Income</b> (Including other revenue)	<b>\$376m</b>	<b>\$343m</b>	<b>\$325m</b>	<b>\$266m</b>	<b>\$296m</b>	<b>-21%</b>	Falling Total Income
<b>Net Costs</b>	\$339m	\$339m	\$292m	\$308m	\$376m	+11%	Growing Investment <sup>2</sup>
<b>Net Result</b>	\$36m	\$3m	\$33m	(\$41m)	(\$80m)	-332%	Unsustainable Deficits

4. Federation supports reforms to Australia's international student sector that promote the role of regional universities, strengthen the integrity of the sector, protect student welfare, and address the potential impact student migration may have on economic inequality in parts of Australia (i.e., through evidence of exacerbated impacts on cost of living).
5. **However, as the table illustrates, Federation cannot afford international student revenue growth that is flat or drops further without significantly compromising its delivery of domestic higher education and vocational education and training programs.** The adoption of the proposed solutions outlined below would reduce these risks and maximise the benefit for the communities Federation serves, and other universities in similar circumstances.

**In analysing the Draft Framework, Federation has carefully considered how it can preserve its role in the regional communities it works in to boost post-secondary attainment, and the social and economic dividends this delivers.**

<sup>1</sup> Additional Commonwealth funding is supporting domestic revenue (e.g., Transition Funding Loading).

<sup>2</sup> In addition to the increased investment for growth, a portion of the growth in net costs (~\$20m) is the result of accounting treatments regarding franking credits. Refer to Federation's Annual Report 2023 [here](#) for more details. The table illustrates the risk Federation has taken during 2022 and 2023 to invest in the growth of its overall enrolment base to return to pre-COVID-19 levels and its investment in essential systems for all students, given the uncertainty over the Federation's ability to recover its international student enrolments to 2019 levels. Based on the table, Federation, would have required up to ~2,800 international students, or the equivalent of over ~7,000 more domestic students, in 2023 to return a neutral result, demonstrating the significant contribution international student enrolments provide to Federation's ability to fund its services.

6. As the Universities Accord Final Report (the Accord) recognised, regional universities like Federation provide accessible education for those seeking post-secondary attainment from diverse, non-school leaver, and complex needs backgrounds.
7. Federation's Victorian legislation and compacts with the Commonwealth Government call for it to deliver more impactful education outcomes aligned to the policy and skills needs in these communities.
8. In doing so, Federation seeks to enable sustainable, locally driven regional development, and the numerous benefits this can provide to local communities, so that local students can access local employment opportunities in emerging industries, such as the green economy, advanced manufacturing, and new technology.
9. Federation has invested significantly to continue to play this role in a rapidly changing policy environment. This includes implementing the Future Fed Program announced in March 2024 to change Federation's cost profile to address the new enrolment levels resulting from changes to student migration policy and ensure it can continue to keep domestic post-secondary education accessible by minimising program closures.
10. The Future Fed Program also seeks to secure the resources to meet the challenges identified in the Accord, deliver the priority skills outlined in the National Skills Agreement and Victorian Skills Plan, and support identified strategic sectors in key policies, such as the A Future Made in Australia initiative, developing Gippsland's role in Australia's transition to renewable energy, and the Greater South East Metropolitan region's aspiration to transform into a knowledge-based industry hub.
11. The Future Fed Program has proposed to achieve this by making 163 roles redundant, on top of the 43 voluntary redundancies offered, to achieve \$20m in annualised savings to return Federation to surplus in 2026.

**Federation's delivery of critical education and research translates into vital and tangible outcomes for its communities.**

12. Despite the challenges outlined above, Federation's Annual Report 2023 sets out its delivery of education services to over 11,522 domestic and 5,490 international students, and had employed staff constituting over 1,410FTE of whom 1,353FTE are non-executives and 855FTE have identified as female.
13. In the context of Australia's overall international education sector – which contributed \$48 billion into the economy, 0.8% of 1.5% of Australia's GDP, and 250,000 jobs nationally in 2023 – Federation's enrolment and income levels are small but make a vital contribution to regional and outer metropolitan communities to ensure that can continue to grow and thrive.
14. It has long been Commonwealth Government policy that international student revenue fills the funding gap critical to supporting domestic post-secondary education programs and campuses. For Federation this also offers a broader range of associated roles and services not otherwise provided by governments, which enables Federation to make a significant impact in its communities.
15. Even as it has reduced costs, Federation has continued to invest in these programs to ensure it can continue to make an impact, including undertaking work:
  - a. to transform its higher education program into Australia's first based entirely on a Co-Operative Education Model of industry placement centred programs co-designed with industry to deliver more 'job ready graduates' connected to local industry,
  - b. to harmonise higher education and vocational education and training into innovative dual-sector programs that are more compelling and accessible to rural, regional, and outer metropolitan learners,
  - c. to expand the delivery of post-secondary education and training into areas of critical need, in particular the renewable energy transition through Federation's Asia Pacific Renewable Energy

Training Centre and expanding its Berwick campus engineering offerings to meet the Greater Southeast Metropolitan Regions' aspirations to become a centre for knowledge-based work,

- d. to ensure its international student program is fit for purpose, operates with the highest standards of integrity, and is aligned to a rapidly changing policy environment, and
  - e. to provide vital innovation and technology parks to build both regional skills through the Co-operative Education Model described above and high impact research with local and national industries.
16. Federation's focus on delivering for its communities translates into its number one ranking for 'first in family' tertiary level attainment and meaningful partnerships with industry and employer partners as diverse as IBM, McCain, AiG, Wimmera Development Authority, AGL, Iberdrola and Grampians Health.
17. This makes Federation a critical point of interconnection where post-secondary education and research can deliver the most impact to the social and economic aspirations of rural, regional, and outer-metropolitan communities and local industry.

**It is important that the Draft Framework recognise that international student revenue sustains the domestic operation and research programs of regional universities.**

18. This reflects a combination of key policy and commercial realities for all universities, but in particular regional universities. It includes the recognition that regional universities are not adequately funded to achieve the aims outlined in their enabling legislation and compacts with the Commonwealth Government.
19. This was, importantly, recognised by the Accord, which highlighted the "considerable financial hurdles" regional universities faced compared to their "metropolitan counterparts" The Accord made recommendations to implement a regional equitable funding model, which the Commonwealth Government has committed to put in place from 2026 in the most recent Commonwealth Budget 2024/25.
20. It also includes the work public universities have undertaken since the 1980s, and the landmark 1992 Dawkins Reforms, to pursue Australia's strategic policy goal to substitute international student fees for public funding in a competitive domestic and international market. As a result of these reforms, public universities have worked on the basis that any investment into international programs must be commercially sound and return a benefit to the university's domestic post-secondary education and research functions.
21. The reforms in the Draft Framework represent a landmark change away from decades of consistent funding policy for the Australian international education sector. Introducing limits goes significantly beyond achieving the international education skills and integrity outcomes envisioned in Recommendation 22 and 23 of the Accord.

**Federation's caution stems from the risk that these reforms could compromise the sustainability of Federation's (and other regional universities') domestic post-secondary offerings.**

22. Given the funding situation for regional universities, the Draft Framework reforms appear to contradict the aspirations for rural, regional, and outer metropolitan Victoria not only to secure the tertiary attainment identified by the Commonwealth Government, but also to fill double-digit gaps in attainment to metropolitan counterparts.
23. Noting the recent announcements of the Future Fed Program announced in March 2024, the urgency for Federation is that the proposed reforms to Australia's international education sector will create further uncertainty, and result in even sharper drops in international student enrolments, or their longer or very limited recovery.
24. There is a significant risk that Federation's 2024, 2025 and 2026 international student enrolments will be significantly affected by these settings.

25. **If this occurs, there will be a real, immediate and consequential impact on Federation’s post-secondary offerings.** While any cost reduction or service cuts are a last resort, there is a real risk to Federation’s domestic post-secondary education delivery, especially from its Gippsland, Wimmera or Horsham campuses. Any disruption could impede the delivery of workers critical to energy transition, infrastructure and local manufacturing, and limit accessible post-secondary opportunities to learners in these regions.

**Accordingly, Federation recommends adopting the following solutions to maximise policy outcomes and minimise any risk to regional university domestic offerings:**

**TABLE 2: SOLUTIONS – DRAFT FRAMEWORK**

<b>One:</b>	Any international student levels formulated under the Draft Framework for regional universities should use whole-of-university enrolments level from the pre-COVID-19 year of 2019 as a baseline level (See Responses to Objective 2, Question 1).
<b>Two:</b>	Any international student levels should apply to a regional university at an institutional-level and not at a course-level (See Response to Objective 2, Question 1).
<b>Three:</b>	<p>In addition to the above, any international student levels should exclude regional universities from any growth limits above their pre-COVID-19 2019 baseline year for five years (See Responses to Objective 2, Question 1).</p> <p>If, or when, international student level growth limits are applied to a regional university, they continue to apply at a whole-of-university level and be based on whether the university can show the minimum international student enrolment growth needed to meet any funding and revenue gaps:</p> <ul style="list-style-type: none"> <li>• for its rural, regional and outer-metropolitan campuses to be commercially viable, and</li> <li>• to work towards meeting the tertiary attainment targets set out in Recommendation 2 of the Accord in preparation for the proposed funding announced from 2026 onwards (see Response to Objective 2, Question 1).</li> </ul> <p>If student accommodation must be a consideration, it should only apply to determining regional university metropolitan campuses' international student levels as a factor in the overall growth limit, and it must be:</p> <ul style="list-style-type: none"> <li>• a subordinate consideration to addressing funding and revenue gaps, and</li> <li>• take into account available student accommodation in the regions, partnerships with accommodation providers and alternative student housing programs it offers (e.g., home stay programs) (See Responses to Objective 5, Question 6).</li> </ul>
<b>Four:</b>	The Department of Education should conduct modelling to determine the appropriate levels for each provider factoring in the impact any levels, and growth levels, have on the demand for programs between providers (See Response to Objective 2, Question 4).
<b>Five:</b>	The Guidelines setting each level and the growth rate for each provider, or their associated courses, should have the international student levels and proposed growth rates so they can be subject to parliamentary scrutiny (See Response to Objective 2, Question 1).
<b>Six:</b>	<p>Undertake complementary reform to visa arrangements and regulatory reforms to ensure there is a coordinated and consistent approach to Australia’s international education sector across both the migration and overseas education provider policy settings – this includes:</p> <ul style="list-style-type: none"> <li>• adopting a Regional Priority Skills Student Visa (and a metropolitan equivalent, if needed) to enable a priority skills-based focused student migration system following Recommendation 22 and 23 of the Accord and ensure skills gaps are being addressed, and</li> <li>• replacing the components of the Simplified Student Visa Framework that prioritises application assessments based on a provider’s risk rating with a system that places</li> </ul>



	<p>the onus for integrity on agents and students through a cost-recovery regulatory system funded from fees imposed on agents and students, with associated penalties to protect the integrity of the overall student migration and international education sector (See Responses to Objective 1, Questions 1 and 2).</p>
<b>Seven:</b>	<p>Establish a Regional and Outer Metropolitan Priority Skills Transition Fund under the A Future Made in Australia initiative in late 2024 to allow Federation (and other regional universities) to offer targeted fee-free higher education programs in engineering, nursing, and psychology at regional and outer metropolitan campuses to ensure:</p> <ul style="list-style-type: none"> <li>• these communities are not left behind in the work to reach the tertiary attainment goals found in the Accord or in meeting the priority skills needs found in the NSA, and</li> <li>• offset to the risk of flat or low growth in international students in 2024, 2025 and 2026 impacting the sustainability of regional campus domestic offerings further until a Regional Equitable Funding Model is established (See Responses to Objective 2, Question 7).</li> </ul>
<b>Eight:</b>	<p>Establish an International Priority Skills Council, including regional representation, to ensure the Minister for Education's international student guidelines, the Minister for Trade and Skill's work to fill skills gaps, and the Minister for Home Affairs' visa arrangements for students and skilled migrants are aligned to support regional economic development and address skill shortages over the long-term (See Responses to Objective 2, Question 5).</p>
<b>Nine:</b>	<p>Establish an Office for International Education Coordination, Integrity and Welfare that works across government departments and with universities – in particular smaller or regional universities – to avoid bad actors and address student welfare issues as they appear while also promoting systemic solutions (See Response to Objective 1, Question 1).</p>
<b>Ten:</b>	<p>Work with the Regional Universities Network and its universities, together with other regionally headquartered universities, to establish a new International Co-Operative Skills Agreement – Regional Higher Education and Skills Development to support similar regional institutions in India as well as AUKUS and ASEAN nations to partner on student exchange, offer combined programs or have pathways into higher education offerings under distinct enrolment caps and visa arrangements (see Response to Objective 3, Question 2).</p>
<b>Eleven:</b>	<p>Consider setting up further Asia Pacific Training and Education Centres at regional universities to provide specialised international student, transnational and offshore education and training, including:</p> <ul style="list-style-type: none"> <li>• an Asia Pacific Nursing and Allied Health Training and Education Centre at Federation's Berwick Campus,</li> <li>• an Asia Pacific Artificial Intelligence Application Training and Education Centre at Federation's Ballarat and Berwick Campus, and</li> <li>• funding the Asia Pacific Renewable Energy Training and Education Centre's hydrogen program to provide specialised training to overseas students from its Berwick and Gippsland campuses (see Response to Objective 3, Question 2).</li> </ul>
<b>Twelve:</b>	<p>Ensure flexibility stays to rename and register courses under the Framework and relevant legislation as innovation occurs under the Accord to redevelop courses to align with recommendations such as dual-sector harmonisation and embedding Industry Workplace Based Learning into programs (see Response to Objective 2, Question 7).</p>
<b>Thirteen:</b>	<p>Suspend more caps for domestic higher education programs from non-public university providers working in outer metropolitan, regional and rural area for five years unless there is a gap in higher education offerings to fill critical skills offerings by a public university in the same area (see Response to Objective 2, Question 7).</p>

**To mitigate any further impacts on regional universities, if the Draft Framework reforms are adopted Federation strongly recommends the Commonwealth Government adopts the following solutions outlined above as a priority:**

- **ESTABLISH** the priority regional skills student visa to allow regional universities to commence priority recruiting for 2025 to fill domestic skills gaps in the regions with a similar priority to Assessment Level One Universities.,
- **ESTABLISH** a Regional Priority Skills Transition Fund to offer fee-free domestic higher education programs in priority skill areas to create funding certainty in 2025 until a regional equitable funding model is established.
- **ANNOUNCE** the intention to allow regional universities to grow international student-levels to pre-COVID-19 levels to boost and sustain the recovery of these universities in 2025, while helping to meet skills shortages; and
- **REPLACE** the current assessment level system focused on universities with a penalty system focused on agents and students, potentially funded by agents on a cost recovery basis similar to TEQSA, in 2025.

## Contextualised Responses to the Draft Framework Consultation Questions:

### Objective One: A Sector Built on Quality and Integrity

#### 1. Are there further reforms government should consider that will enhance the quality and integrity of the sector?

26. Yes. Given the complexity of these reforms regional and smaller universities would benefit from more support to comply with, and play their role in achieving, the policy objectives set out in the Draft Framework.
27. Otherwise, the reforms may inadvertently divert further resources from supporting domestic higher education programs or force smaller or regional universities into a situation where their programs can no longer contribute towards the outcomes of the policy, designed to focus on filling Australia's critical skills shortages.
28. To address integrity issues over the longer term and to ensure student welfare is both paramount and fulfils the strategic intent of the draft framework, the Commonwealth Government should set up an Office of International Education Coordination, Integrity, and Welfare. This would operate under the Framework to work with universities to address international student welfare and integrity issues and develop systemic solutions to issues over time to enhance these goals. The office's remit could include:
  - a. coordinating international student policy between the Department of Education, Department of Home Affairs, Department of Employment and Workplace Relations,
  - b. maintaining a register of overseas agents for universities to work with and create, track and share an agent risk rating (see, Response to Objective 1, Question 2, below),
  - c. day-to-day administration of international student caps and other arrangements to minimise the risk of inadvertent over-enrolment, and
  - d. providing committed day to day liaison officers for regional universities.

#### 2. What more can providers do to improve the integrity of international education sector?

29. Federation strongly supports ensuring the international education sector works with the highest standards of integrity and that the welfare of its students are protected.



30. However, the integrity function that regional and smaller universities can play is limited given the resources involved. Overseas risks stemming from the practices of international agents and students is currently only visible to the Department of Home Affairs, further limiting education providers' capacity to respond.
31. Federation notes that, to date, many significant student integrity policy settings have been acquitted through the student migration system.
32. Federation would welcome clarity on the role of the Migration Strategy for Australia, Simplified Student Visa Framework, relevant Ministerial Directions and reforms being considered to the migration system. This could occur through a specific part of the Framework clarifying how it will operate in partnership with the Minister for Home Affairs' stewardship over the student migration system.
33. As part of changes to the international education sector under the auspice of the Draft Framework, it is critical that the certainty and stability of international student visa levels is also addressed alongside measures to improve integrity and student welfare.
34. Federation suggests this could be achieved by:
  - a. introducing a priority regional skills student visa (and a metropolitan equivalent, if needed) that prioritises overseas students looking to undertake courses aligned with addressing domestic skills shortages. The visa would also focus on Industry Workplace Learning with relevant placements, incentives to work in related fields (such as extending full-time work rights with placement providers during non-study periods during the final year of study) and requirements to minimise impacts on cost of living and protect the benefit of the visa (e.g., to reside in student accommodation and work regionally),
  - b. replacing the current prioritised provider visa processing arrangement under Ministerial Direction 107 with a system that treats all providers equally and protects the integrity of the student migration system in a way that tracks and penalises overseas students and agents who are subverting the migration system. This could adopt a similar arrangement to TEQSA. It could focus on:
    - i. tracking and penalising students who are course jumping or have high visa rejection rates, and
    - ii. requiring recruiting agents to become registered with escalating registration costs for high levels of rejected applications, and suspension from registration for a period, as the strongest penalty.
  - c. removing the assessment of providers, which have little control once the requirements for a visa application are met, based on their ability to interrogate the bona fides of a student. Instead, the above system should place the onus on the recruiting agent or supporter of the visa, as they are generally co-located with the student and can far more easily establish the student's bona fides.
35. Complemented with these reforms to the student migration system, the Draft Framework's proposed reforms could introduce transparent reporting to mitigate the misuse of the student migration system as a way to seek more permanent migration into Australia. These arrangements could include:
  - a. mandatory requirements should be set in place on all providers and the department to report any international student welfare, integrity and agent issues to the Office of International Education Coordination, Integrity and Welfare, and
  - b. the Office of International Education Coordination, Integrity and Welfare should report publicly on provider performance and issues at an aggregate level or provider level to ensure there is transparency and whole of government coordination on the approach to the sector.

## Objective Two: A Managed System to Deliver Sustainable Growth Over Time

### 1. What factors should inform government’s approach to allocating international student enrolments across sectors, providers, and locations in Australia?

36. Federation recommends that any allocation of international student enrolments levels carefully considers the following:
- that regional universities need to return their international student enrolment levels at least to pre-COVID-19 levels, with 2019 as a baseline, across all their campuses to ensure they can sustainably operate their domestic programs,
  - that international student programs at regional universities must be financially viable,
  - that international student programs currently fund any gap between public funding for regional universities and the ability to grow domestic programs at regional universities, which will equate to the work to reach the attainment targets set out in Recommendation 2 of the Accord and achieving other broader policy objectives in the region, and
  - whether an international student program addresses priority domestic skill shortages that are hampering growth in the region, including giving regional university programs the economies of scale to ensure regional domestic students can be offered high-quality post-secondary education programs to allow them to fully participate in regional development.
37. In applying these considerations, Federation strongly recommends any international enrolment caps should be set to pre-COVID-19 levels for regional universities and any growth limits only apply after five years to maximise the opportunity for this to occur (to avoid any distortions growth limits could have on designing and competing for international students). For regional universities, caps should not be applied to specific campuses or courses to avoid any risk of distortion in the market or undoing the vital support a regional university’s metropolitan campuses may provide to smaller domestic focused rural and regional campuses.
38. In addition to this, any growth limit that applies to a regional university after five years should:
- be set at a university wide level rather than campus level to avoid any impact on the sustainability of domestic programs or campuses,
  - consider addressing any gap in public funding and what is required to sustain or growth domestic student programs (i.e., to close gaps in any Commonwealth funding, including the proposed regional equitable funding mode, to sustain or grow domestic programs), and
  - only consider the development of new student accommodation requirements as a subordinate consideration for its metropolitan campuses, and only after considering other programs the regional university can offer to address the housing needs of international students at its metropolitan campuses (see Response to Objective 2, Question 2).
39. Federation does not suggest the reforms should be free of controls, which will: ensure the reasons for the student to study in or migrate to Australia are “genuine”, increase the focus on skilled migration, and address cost of living impacts (e.g., into the regions). This proposal should be read in conjunction with the proposed changes to the student migration system outlined above, to introduce more targeted skills-based priority regional student visas to ensure international students add to the productive capacity of local economies and do not add to cost of living pressures, wherever possible.
40. Federation rejects the proposal that regional universities international student or course levels, or role in Australia’s international education system, should purely be defined by field of study rankings in international markets and for any limits to apply to specific courses to promote the growth of specialisations.
41. International markets are complex and dynamic, and imposing limits at a course-level is fraught with risk that could imperil the viability of a regional institution. In addition to this, the needs and aspirations of regional Victoria are equally complex and dynamic, and limiting the capacity for regional universities to meet these needs through international student programs is also fraught with risk.

42. Federation notes, for example, that the Draft Framework suggests that regional universities focus on areas in which they are competitive to encourage specialisation. However, regional Victoria aspires to be a leader in the emerging green economy, advanced manufacturing, new mineral use, and advanced air mobility industries, which requires new programs to grow in the regions, so they are accessible to local learners.
43. It would be inequitable, inefficient, and structurally disadvantageous to rural, regional, and outer metropolitan Victoria for Federation not to benefit from the economies of scale to grow its domestic program offerings in areas like engineering or technology through its international student program, or to use its international program to assist employers to fill strategic domestic skills gaps and thereby allow their sectors to grow to support taking on more domestic graduates as these become available over time.
44. Federation is already working through its Co-Operative Education Model to place international students with regional employers in an ever-broadening range of fields of study and increasing the success of international students by connecting them with local employers and putting them on a pathway to skilled migration in a regional setting.
45. While Federation welcomes the need to increase the recognition of regional universities as a key part of Australia's international education sector, taken to its conclusion, the proposed view on regional universities in the Draft Framework limits innovation, entrenches disadvantage, and holds back the aspiration for rural, regional, and outer metropolitan communities. It risks suggesting that a regional student should travel to a metropolitan area if they aspire to an area of study in which a regional university is not currently a leader (because it suggests that a regional university should not be able to pursue growth in these programs) – this means a regional community loses talent and must then spend more effort attracting similar talent back into the region. Our research shows that of students leaving the region to study, only approximately 35% return, and that often only after many years.
46. For example, in contributing to the Greater South East Metropolitan Summit, Federation noted the aspirations to establish the region as a major centre for sustainable knowledge-based roles accessible to the local community.
47. Federation's Berwick Campus has recently commenced offering engineering to ensure local students can study locally to support this region's aspirations with a small level of enrolment. Attracting international students to this engineering program would enhance its scale, sustainability, and success in both strategically filling skill shortages as the region grows and offering local students' participation in a vibrant and comprehensive program. This shows by example that caps on Federation's Berwick campus, or its engineering program specifically, would undermine this work and seems to run contrary to the intent of the Draft Framework and the Accord.
48. These considerations are vitally important to minimise any risk to the sustainability of Federation's domestic post-secondary education and campus offerings. Federation recommends the Draft Framework be established as a formal Commonwealth Government policy document to guide the Minister for Education's decision. The guidelines should include direction for implementing international student levels and any growth caps, and not just the method for formulation, so they can be subject to parliamentary scrutiny.

## **2. What considerations for government should inform the overall level of international students in Australia?**

49. In addition to ensuring specific allocations consider the regional status of providers, skill gaps and funding requirements, Federation recommends that the overall level of international student numbers in Australia should be set to prioritise:
  - a. student migration as a pathway for long-term effective skilled migration – this should be the largest component of any overall migration level because international students who are trained in Australia are the most effective way to ensure successful long-term skilled migration into Australia. Federation's contribution to the Department of Home Affairs' Points-Test Review highlighted this possibility.

- b. long-term strategic planning to meet the skills and higher education needs of the Australian economy – this includes promoting sustainable growth in areas where domestic graduates are limited and there are clear inhibitors to growth if these roles are not filled, and
  - c. the viability of the higher education sector as a whole – or else the level may have an inadvertent and severe immediate consequence for the sustainability of regional universities and regional development.
50. For example, if limits are too restrictive on the sector, it could lead to:
- a. metropolitan universities rapidly expanding their programs in a way that draws even more domestic students from outer metropolitan, regional and rural areas,
  - b. universities acquiring development opportunities slated to meet domestic housing needs, leading to more domestic residential shortages,
  - c. regional universities delaying funding of in-demand domestic programs in order to build student accommodation for international students (to gain the scale to eventually expand domestic programs).
51. This is why Federation notes cost of living pressures should only be a consideration in determining international student levels if there is specific evidence it is a factor in a particular area. Setting the level flexibly against new student accommodation growth is vital.
52. Incorrectly setting the level may also have a sector wide impact on domestic post-secondary education programs needed to achieve the post-secondary attainment targets as set out in Recommendation 2 of the Accord, with a disproportionate impact on smaller and regional universities.
53. If the metropolitan universities were to expand their programs in a way that inadvertently draws significantly more domestic students from rural, regional, or outer metropolitan communities it would also harm the viability of regional universities and the long-term development of these communities, through a rapid increase of the hollowing out of those regional communities, which is already occurring where large employers and vital service providers such as universities exit.

### **3. How will this approach to managing the system affect individual providers?**

54. Federation notes there are significant risks from imposing international student levels and growth limits on regional universities.
55. Impacting the revenue of regional universities (or any university) that has not returned to pre-COVID-19 levels of enrolment will ultimately put post-secondary domestic service offerings at risk. This is because the cost base of universities is largely designed for pre-pandemic levels, international enrolments have been a vital income stream to support these costs, and it was not anticipated that such a protracted decline in revenue would occur beyond the pandemic.
56. In addition, any limits would significantly complicate the commercial consideration of offering programs in a competitive global market.
57. For example, large scale metropolitan universities with established programs are more likely to remain unaffected by a set level or growth limit than a regional university with small, high-growth, programs that depend on that continuing growth to attain scale and viability.
58. Even with a 5% growth limit a large metropolitan university could still enrol a large number of students, for example, into an already large program, whereas attaching a growth limit to a small program that is growing faster in real terms could artificially slow demand into a program with a smaller number of students being enrolled each year. It would be a perverse outcome if this resulted in the regional university's program becoming less competitive or not viable compared to a metropolitan university with a larger program and intake.
59. The perversity becomes worse if the larger metropolitan university is located in an area with accommodation shortages and high rents, and any growth limits hinder a regional university obtaining the revenue to invest in student accommodation (since they do not have the asset base to borrow to fund new

infrastructure) or programs to meet the tertiary attainment targets committed to by the Commonwealth Government as set out in Recommendation 2 of the Accord.

60. International student limits will make offering commercially viable international student programs a more challenging and riskier undertaking for regional universities in a complex and competitive market. This is why Federation recommends limits being set at a pre-COVID-19 level and any growth limits on regional universities should be deferred for five years.

**4. Should sectors other than higher education and vocational education and training, such as schools, ELICOS and non-award be included in approaches to manage the system for sustainable growth?**

61. Yes. The system should be comprehensive, and principles based, to avoid any inadvertent consequences of bad practices or bad actors circumventing the system. However, Federation notes extending the settings to secondary schools, ELICOS and non-award programs should not limit any regional university from returning to pre-COVID-19-levels.

62. For example, secondary school international enrolments should not impact higher education or post-secondary levels. Similarly, the setting of ELICOS international student caps should sit separately from any international student caps for higher education or vocational education and training programs.

**5. How should government determine which courses are best aligned to Australia's skills needs?**

63. To ensure the overall international student levels are coordinated, Federation suggests establishing an International Priority Skills Council to co-ordinate student migration, international student, and skilled migration settings.

64. This council could be composed of public universities and TAFEs representing different regions of Australia on a rotating basis, local governments on a similar basis, and skills planning authorities from all the states and territories. The council would provide the Home Affairs, Education and Skills and Training ministers with strategic advice on the appropriate level of skilled migration and priority skills that should be targeted at a student and graduate level. The council would also task Jobs and Skills Australia to provide comprehensive trend analysis of emerging jobs and sectors to ensure that students will graduate with the skills needed in the future, rather than the past or current economy.

65. While Federation supports an international education sector focused on meeting the skills needs of Australia it does not recommend achieving this through course limits.

66. Instead, Federation suggests this could be supported by implementing a priority skills regional student visa. This would facilitate the policy objectives of the Draft Framework in a way that offers more flexibility to meet the dynamic needs of regional employers and is already integrated into other mechanisms to fill skills needs such as Designated Area Migration Agreements and skilled visa points and nomination arrangements.

67. Course limits should only apply when there is a risk that a provider is over enrolling international students without evidence of a clear benefit for the students or the skills gap being addressed.

**6. How should government implement a link between the number of international students and an increased supply of student housing?**

68. There are risks with linking the numbers of international students to an increase in housing supply linked to distortions in competitive education as well as housing markets.

69. This is why the paramount considerations Federation suggests for international student levels is whether a provider's domestic programs are sustainable and can achieve the attainment targets set out in Recommendation 2 of the Accord.

70. As of 16 May 2024, Federation student accommodation occupancy levels were 39% in Gippsland, 42% in Berwick and 61% in Ballarat. Of these occupants, the international student component is 40% in Gippsland, 90% in Berwick and 45% in Ballarat. Total available rooms are 395 in Gippsland, 118 in Berwick and 392 in Ballarat.



71. While Federation's current international student level is below COVID-19 it's still above its total accommodation capacity levels in each of its regional campuses. In other words, international students can find alternative accommodation in regional settings, often not competing in any way with the domestic rental market, as the types of alternative accommodation are different from those sought by domestic renters.
72. In the past, Federation has run a comprehensive program of home stays and accommodation partner arrangements to meet the accommodation needs of its international students in a rural, regional, and outer metropolitan areas. Federation will continue this practice in regional and metropolitan settings where it operates, and suggests these solutions be considered in assessing and setting required levels of student accommodation.
73. It would compromise Federation's financial sustainability, or its continuing ability to offer or grow its post-secondary education offerings, if international student limits were hard capped by current or future student accommodation capacity.
74. Without additional funding, any requirement to build more student accommodation would take revenue away from domestic program offerings or growing those programs to meet the tertiary attainment targets set out in Recommendation 2 of the Accord. Federation also notes in a regional context expanding the concentration of student accommodation rapidly would require work with local government to manage the impact on local infrastructure.

## **7. What transition arrangements would support the implementation of a new approach?**

75. Given the significant risks to Federation's sustainability, Federation has proposed four solutions as transitional arrangements:
  - a. delay any growth limits applying to a regional university that has not returned to pre-COVID-19 international student levels for five years,
  - b. ensure flexibility remains for providers to register courses to correct the names and titles of programs as part of any innovation to program offers resulting from dual-sector harmonisation, the creation of Industry Work based Learning Programs or other innovations under the Accord,
  - c. establish a Regional and Outer Metropolitan Priority Skills Transition Fund so regional universities can offer fee-free higher education programs in engineering, nursing, and teaching to address skills gaps, meet the Commonwealth Government's attainment goals and provide funding stability until a regional equitable funding model is in place, and
  - d. suspend the provision of additional Commonwealth Supported Places for non-public university providers in rural, regional, and outer-metropolitan areas unless the program addresses a critical skills gap that is not being met by the universities in that area. Encouraging competition in thin markets risks the viability of existing publicly funded provision and undermines effective use of taxpayer funds.

## **Objective Three: Taking Australian Education and Training to the World**

### **1. What are the barriers to growth in offshore and transnational delivery of Australian education and training?**

76. Federation notes that a regional university's ability to offer extensive offshore and transnational education is limited by financial constraints, and concerns that if it were to continue to expand this activity further in this funding environment it would be to the detriment of its post-secondary education offerings to its rural, regional and outer metropolitan communities.
77. However, Federation strongly supports Australia's higher education sector developing an offshore and transnational presence, and for regional universities to collectively support transnational and offshore training needs with key partner nations like in India as well as AUKUS and ASEAN-member partner nations.



78. For example, Federation has been working in India to support the Minister for Skills and Training's aspirations for bilateral arrangements to uplift the skills of workforces in Australia and India. This includes commencing discussions with the Indian Government's National Skills Development Agency (the NSDA) to identify opportunities to provide Indian nationals with qualifications and industry-based experience to meet skills gaps in India.

## **2. Where can government direct effort to support transnational education?**

79. Federation suggests the Commonwealth Government directs its efforts to the following:

- a. work to develop an International Regional Higher Education and Skills Development Agreement to support international exchanges, combined programs and recognised pathways between higher education programs operating in a regional or rural context across each nation – this would provide stability, awareness and reciprocal benefits between nations for more accessible post-secondary education in regional settings with an international component and support the diversification of nations Australian regional universities can draw international students from,
- b. create a stream of the proposed regional priority skills international student visa for overseas students seeking to undertake training and return back to their country to have priority in visa applications, and
- c. fund the establishment of the new Asia Pacific Training and Education Centres in regional universities to offer transnational education and training for international, exchange, and offshore students – Federation is extremely well placed to host an Asia Pacific Training and Education Centre for Nursing and Allied Health in Berwick and Asia Pacific Training and Education Centre Artificial Intelligence Application in Ballarat, as well as expand the hydrogen and wind components of its existing Asia Pacific Renewable Energy Training and Education Centre (APRETEC) from Ballarat to Berwick and Gippsland.

80. The APRETEC model already established at Federation demonstrates the combination of higher education, research, skills and qualification that can be provided in partnership with industry to meet the specific skills needs of emerging industries. This proposal to establish and expand the Asia Pacific Training and Education Centre in the region to offer transnational interconnectivity with relevant multinational education providers and industry partners to form a platform for rapidly increasing the profile and network of regional universities delivering programs in high demand skills across the Asia-Pacific region.

81. This approach would also give regional universities more scale for domestic student offerings in these high-priority areas. It would support specialised course components that are targeted at ensuring the international students succeed in their specific fields and can apply their training in an Australian education and workplace context in their home country. There would be limited infrastructure costs to establishing these centres.

82. Federation notes any offshore, exchange or remote revenue from these centres would work to offset any gap in revenue to support its domestic operations and could be considered as a factor in setting appropriate international student levels.

83. Federation would welcome consultation on how to develop a network of integrated Asia Pacific Training and Education Centres with other regional universities and the Commonwealth Government.

### **Next steps:**

#### **1. Federation is seeking urgent briefings with relevant department heads, or their delegates, to provide more detail on the potential impacts to Federation.**

84. Federation has sought meetings with the Secretary of the Department of Education and the Secretary of the Department of Employment and Workplace Relations, and other key department heads, or their delegates, in the week of 24 June 2024 to provide detailed briefings on the potential impacts further falls in international student revenue will have.

85. These include Federation's work to expand post-secondary attainment identified in the Accord, meet the priority skills needs defined under the NSA, and specific policy aspirations for the regions it operates in, in particular relating to skilling workforces to meet renewable energy, green economy, agriculture, and regional development goals in the Central Highlands, Greater South East Metropolitan and Gippsland regions.
86. However, with the adoption of the solutions outlined above to support regional universities through the implementation of these reforms, Federation can support a Draft Framework that:
- a. recognises the role international student revenue provides to support and grow sustainable domestic post-secondary education offerings at regional universities, and ensures regional communities can participate in meeting the Commonwealth Government's tertiary attainment levels to deliver Recommendation 2 of the Accord,
  - b. works to ensure any student migration at both national and university level prioritises:
    - i. addressing domestic skills gaps in rural, regional and outer metropolitan areas to support critical industries and remove inhibitors to regional economic development,
    - ii. creating stable migration pathways to fill long-term regional skill needs or support the skilling of citizens from national partners, and
    - iii. securing equity between metropolitan and regional higher education sectors,
  - c. protects the international education brand of Australia's regional institutions and supports Australia's national partners to lift skills attainment in their domestic economies,
  - d. acknowledges the importance of cultural diversity in sustaining communities and reducing discrimination against international students, and
  - e. adopts a collaborative approach to protecting the integrity of international education and the welfare of students generally, including those who migrate to Australia.
87. Importantly, Federation broadly supports the existing Draft Framework's proposal to:
- a. promote the role of Australia's regional universities,
  - b. protect the integrity and social licence of Australia's international education sector and the welfare of the students it educates and trains,
  - c. orientate the sector towards meeting skills needs of Australia, and
  - d. end any practices that permit providers and agents to game the system to the detriment of students and Australia's reputation for high quality education and research.
88. Federation would welcome the opportunity to brief further on the risks outlined above and consult on any of the proposed solutions. This submission will form the basis of Federation's submission to the Commonwealth Parliament's Senate Education and Employment Committee.