

14 June 2024

Draft International Education and Skills Strategic Framework consultation
Department of Education
E: StrategicFramework@education.gov.au

Go8 submission to the Draft International Education and Skills Strategic Framework

Introduction and recommendations

In responding to the Draft International Education and Skills Strategic Framework (the Draft Framework) the Group of Eight (Go8) states up front that it is **absolutely committed to adopting a more sophisticated approach to international education that backs in integrity and quality and takes a nuanced approach to managed growth in the system.**

However, the approach adopted in the Draft Framework runs the risk of a string of unintended yet foreseeable consequences that could have a disastrous effect on both Australian society and our economy.

It is important to note that the central drivers of the Draft Framework are provisions for the Minister for Education to cap the number of students at provider **and** course level for all universities, including a link to the supply of additional student accommodation. Despite running the current consultation process, the Government has already effectively endorsed the Draft Framework and has moved to the legislative implementation phase through the introduction of the *Education Services for Overseas Students Amendment (Quality and Integrity) Bill 2024* (ESOS Amendment Bill).

The Go8 believes that the introduction of these measures will fundamentally compromise Australia's international education sector and constitutes what is effectively a breach of good faith in the consultation on the Draft Framework.

It is critical to bear in mind what is at stake: i.e., the viability of a \$48 billion export industry – Australia's largest export services industry – that underpins essentially all university sector operations and in 2023 contributed half of Australia's economic growth.

The Go8 will provide a separate and fulsome submission to the Senate Education and Employment Legislation Committee inquiry into the ESOS Amendment Bill. That submission will provide detailed feedback on the failings of that legislation while this current submission should, in the main, be considered a high-level rebuttal of the principles under which that Bill operates.

Given this, the Go8 consents to this submission to be published and has no wish for any of it to be treated as confidential.

The Go8 supports the Minister's stated aspiration to remove the 'shonks and crooks' and 'dodgy providers' from the system. Indeed, the Go8 has endorsed several measures undertaken by the Government – and noted in the Draft Framework – such as increasing the accountability of education agents, cutting down on "poaching" of international students between providers, capping working hours for international students and introducing a Genuine Student requirement for student visas.

However, the Draft Framework will undermine the very part of the international education sector that demonstrably operates with quality and integrity – our public institutions.

The central “command-and-control” approach to international education in the Draft Framework and ESOS Amendment Bill represents an unjustifiable risk to the nation. There is no evidence the approach will work – and significant evidence that it will fail. It is not practically implementable by the proposed 2025 start date. It will cause significant financial damage to the sector and the Australian economy. It is founded on a false conflation of international students and Australia’s housing crisis. And it will leave a long-term legacy of political interference in a \$48 billion export industry.

In essence, the Draft Framework represents a dramatic overreaction to what is a short-term bubble of pent-up international student demand following Australian border restrictions during the COVID-19 pandemic.

We are already seeing that the Draft Framework and ESOS Amendments Bill is having an impact on the global reputation of Australia’s international education industry. Ratings agency S&P have very recently published a report *Australian Universities: Would International Student Caps Spur A Course Correction?* outlining that the politically motivated policy to cap international student numbers, in response to a post-COVID increase in temporary migration, threatens to unravel a thriving industry and curtail critical institutional autonomy.¹

The Go8 strongly encourages the Government to adopt a more negotiated and evidence-based approach to managing Australia’s international education sector. Accordingly, the Go8 makes the following high-level recommendations.

Recommendations

- 1. Public providers, universities and TAFE are not subject to caps on international students as proposed in the Draft Framework and 2025 be used as a transition year for close consultation on international education.**
- 2. That Mission Based Compacts negotiations are used to establish-evidence based and institutionally appropriate managed growth targets for international student enrolments at each Australian university, and that these targets be set 18 months in advance of the year in which they apply**
- 3. That the Government work with the international education sector and the student accommodation sector to undertake a detailed audit of the current and future provision of purpose built student accommodation in Australia to inform an evidence-based consideration of international students and housing.**

¹ <https://www.spglobal.com/ratings/en/research/articles/240612-australian-universities-would-international-student-caps-spur-a-course-correction-13139717>

Discussion

As noted, the Go8 is fully supportive of increased integrity and quality in Australia's higher education industry and the need for strategically managed growth in the sector.

The Go8 also endorses many of the aspirations expressed in the Draft Framework including increasing diversity in source countries of international students and in the courses they study, more consistent levels of integrity and quality across the entirety of the system, increased diversity in location and type of international education offerings including transnational and online delivery, a focus on the best interests of the student, and alignment with Australia's current and future skills needs. While these are important and recurring touchstones for international education, they are also a standard component of previous Government approaches to international education such as the *Australian Strategy for International Education 2021 – 2030*.

Given the central and immediate focus of the Draft Framework is to provide the Minister the power to implement caps on international student enrolments, this discussion will focus on the Draft Framework as relevant to the matter of caps and the proposed ESOS amendments.

Lack of evidence for success of a cap-based approach to managing international education

In the discussion of *Objective 2: A Managed System to Deliver Sustainable Growth Over Time* the Draft Framework says:

Within a plan for managing the system:

- *Public and private higher education provider enrolment levels will be determined by the Minister for Education.* (Page 16)

Considerations in determining these enrolment levels will include addressing Australia's skills needs and that transitional arrangements will need to provide particular support to regional delivery and regional universities.

While these are worthwhile ambitions, a centralised approach that tells students where and what to study does not work. Job Ready Graduates (JRG) attempted to do exactly this with domestic cohorts. Changes to maximum Student Contribution Amounts (SCA) attempted to dictate to students *what* they should study, and geographic specific Commonwealth Grant Scheme (CGS) loadings attempted to direct the *where*. It is now clear that both approaches failed.

The Government opposed the introduction of the JRG package when in opposition and through advice from the sector and the Universities Accord report has been repeatedly advised that the JRG initiatives are causing damage. Nevertheless, reform of the JRG is not scheduled to commence until the Australian Tertiary Education Commission (ATEC) commences operation on 1 January 2026 – five years to the day after the JRG was implemented. **This shows the difficulty in unpicking bad policy frameworks once implemented.**

Attempting to implement a similar command and control regime for international education will be even more damaging and harder to remediate than the JRG.

International students are extremely sensitive to where and what they study. QS 2024 World University rankings indicate that over half (54) of the top 100 ranked universities in the world can be found across Australia, Canada, New Zealand, the US and the UK, with nine from Australia. While this is an outstanding result that demonstrates the quality of our higher education sector, it also demonstrates the choice of quality institutions that is available to international students.

And they do not just target a particular country. Many international students are specifically interested in particular locations within that country. As the Go8 Chair, Professor Mark Scott, has said:²

There has already been a range of courses on offer outside our cities, often at lower prices but, overwhelmingly, international students want to come to big international universities, with the strongest global reputations.

To suggest they can be directed elsewhere is like telling international tourists they can't see the Opera House and Sydney Harbour, the Australian Open and the F1 – they will only be allowed into Australia if they don't go to Sydney or Melbourne.

This is consistent with the latest QILT International Student Experience Survey results. In 2022 the top reasons for international students choosing to study at their Australian providers were: the institution offering the course the student wanted to study (96 per cent); the reputation of the qualification (95.6 per cent); employment opportunities after graduation (94.8 per cent); the reputation of the institution (94.2 per cent); and the course fee (90.5 per cent).

The Go8 supports the Draft Framework in stating it is important to consider aligning international student enrolments with Australian skills needs. However, the 84 per cent of international students who do not pursue a long-term migration outcome in Australia following graduation are basing their degree and course selections not on Australian skills needs, but on their judgement of the skills that will benefit them in their home country. This is part of the service that the Australian international education sector provides as our leading services export industry. If this majority cohort of students are denied the free choice to study the courses they want within Australia, they are likely to take up the many options offered elsewhere in the world.

If enrolment caps for international students are introduced, a 2025 implementation schedule is unworkable

While the Go8 is opposed to caps on enrolments by international students, given the urgency of these matters it is important to comment on the implementation time frames presented in the ESOS Amendment Bill with new arrangements commencing from 1 January 2025.

In practice, our members must begin their recruitment processes well in advance of the academic year. It is estimated that across the Go8 over 4,000 unconditional offers and over 50,000 full and conditional offers to international students for 2025 have already been made. Approximately three-quarters of full offers and acceptances are registered by the end of November.

If the ESOS Amendment Bill becomes legislation, then there is the potential that providers may not know their caps until 31 December 2024. While this may not be the intention of the Government, this would be the legislative reality that universities would be required to plan for as a matter of due diligence.

² *Let's wait before we make rash decisions on foreign students*, Australian Financial Review, June 5, 2024.

To indicate the scale of the challenge, currently across the Go8 members there are over 4,000 individual courses on the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS). Under the provisions of the ESOS Amendment Bill the Minister for Education may institute a cap for commencing international students or all international students for each course. Breaking any of these over 8,000 potential caps by a single student could bring sanctions under the Bill.

Significant financial damage to the Australian economy and Australia's higher education sector

Recent analyses of the performance of the Australian economy have evidenced the key contribution of the international education industry.

In particular, a National Australia Bank (NAB) analysis shows that spending by international students was responsible for an 0.8 percentage point increase in GDP in 2023, over *half* of the recorded economic growth for that year.³

Additionally, in the National Accounts released for the March 2024 quarter by the Australian Bureau of Statistics (ABS) partly attributes low GDP growth for the quarter of 0.1% to a fall in exports of services of 1.1% "in line with below average arrival of international students in the March quarter".⁴

As the growth of the Australian economy slows, the risk posed by the implementation of caps on international student enrolment is one that should not be countenanced.

International education revenues also underpin the operation of Australia's higher education sector. For Go8 members – **who are not for profit organisations in which all revenue is invested in teaching and research activities**, in 2022 (latest available complete figures) – almost 33 per cent of revenue was sourced from fee paying overseas students.

University financial data published by the Department of Education from the same year indicate that despite the contribution of international student revenue 26 of 38 universities (Table A providers only) reported a negative operating result and the sector a collective loss of \$1.2 billion.⁵

This same trend continued in 2023 with annual reports available to date indicating that two-thirds of universities have reported a net operating loss.

Enrolment caps impacting international student revenues will further and significantly weaken the financial position of many Australian universities.

In practical terms, international student revenue is essential to cross-subsidise much of the operations that allow Go8 members to be globally leading research-intensive universities that undertake \$7.7 billion in R&D annually and provide a world's "top 100" education experience to over 265,000 Australians.

³ <https://www.nab.com.au/content/dam/nab-email-composer/nabmarketsresearch/economics/pdf/2024-03-07%20thematic%20-%20Students.pdf>

⁴ Australian National Accounts: National, Income, Expenditure and Product, released by the Australian Bureau of Statistics on 5 June 2024: <https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-national-income-expenditure-and-product/latest-release>

⁵ <https://www.education.gov.au/higher-education-publications/finance-publication>

In particular, international student revenue is used in the following contexts:

- Government research grants through the Australian Research Council (ARC), National Health and Medical Research Council (NHMRC), and Medical Research Future Fund (MRFF) typically support less than half the full economic cost of undertaking the research. International student fees are currently needed to make up the shortfall. The research – including world-leading medical research - supported by international student fees across all disciplines is of immense value to the Australian community.
- In the absence of dedicated Commonwealth funding for capital projects, universities are heavily reliant on discretionary income from international students to fund major teaching and research infrastructure projects.
- Under Job Ready Graduates (JRG) changes funding for universities to deliver key courses in engineering and science were reduced by 16 per cent. Many of these courses – key to the future economy and national undertakings such as AUKUS - now require cross-subsidisation from international student revenue in order to be delivered.
- Any activity that does not include explicit government funding – such as comprehensive student and staff support resources and an ever-increasing regulatory and reporting burden – are subsidised using income from international students.

Finally, an economic analysis undertaken for the Go8 by leading European specialist policy and economics consultancy London Economics has estimated that in 2020 alone, international students commencing at Go8 institutions had an aggregate economic impact of \$17.40 billion and supported a total of 73,925 jobs throughout the Australian economy.

It is important to note that increasing international student fees to compensate for the potential loss of institutional income from the introduction of caps will not be a viable strategy. A detailed Go8 analysis shows that international students are sensitive to price, and this will be a significant factor in their decision of whether to study in Australia.⁶

In appendices to this submission the Go8 has provided preliminary and indicative scenarios of the impact on Australia's research efforts of a cap on international student enrolment that leads to a cut in revenues.

The Go8 expects to have more detailed and sophisticated impact modeling in the near future.

The conflation of international students and Australia's housing crisis

The Draft Framework suggests that for universities alone, a range of considerations will influence the Minister's setting of their international student enrolment caps, including each institution's supply of purpose-built student accommodation. It further suggests that the Government may only allow universities to enrol additional international students above their caps, where they have established additional, newly built supply of purpose-built student accommodation. (p.16)

This is seemingly in response to the public and political discourse which has claimed that migration and in particular international students as temporary migrants are significant contributors to Australia's housing crisis.

Attached is a detailed Go8 policy briefing *International students and housing and other cost of living pressures* that provides an economic analysis debunking these claims.

⁶ Go8 Policy brief: A damaging international student tax <https://go8.edu.au/policy-brief-a-damaging-international-student-tax>



In particular, the analysis notes that the housing affordability and more general cost-of-living crisis is fundamentally a supply side problem, rather than attributable to international student arrivals.

The S&P report *Australian Universities: Would International Student Caps Spur A Course Correction?* confirms that the measure contained in the Draft Framework linking caps to the provision of student accommodation is not a silver bullet for the housing crisis and states:

We think it's unlikely that universities can meaningfully boost supply of student accommodation. The domestic construction industry is overstretched, and onerous local council planning rules are a major impediment.

While the Go8 is currently undertaking an audit of the supply of student accommodation across the Go8 members, preliminary data suggests that the Go8 provides or facilitates access to at least 83,000 beds of student accommodation indicating that Go8 members currently have significant "skin in the game".

If part of the intention of Government in implementing caps for international student enrolments is to redistribute international students away of metropolitan centres, then it should be noted that Department of Education data indicates that in 2022 approximately 52 per cent international students enrolled at a regional university were actually studying at a campus location in a capital city.

I would be pleased to discuss the contents of this submission in further detail and can be contacted via e: chief.executive@go8.edu.au or p: +61 2 5123 6701.

Yours sincerely

A handwritten signature in blue ink, appearing to read "V. Thomson", with a long horizontal flourish extending to the right.

VICKI THOMSON
CHIEF EXECUTIVE

Encl: Go8 policy briefing: International students and housing and other cost of living pressures

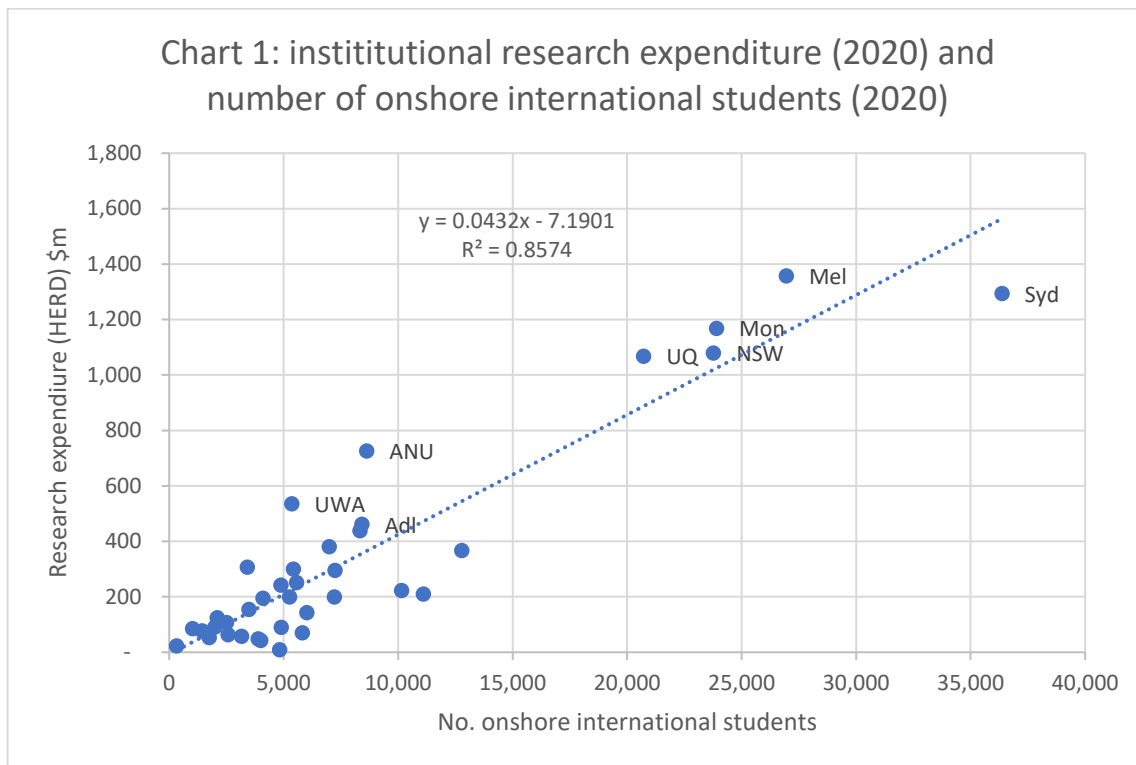
Appendix 1: The impact on HERD of a 10% cut in international student enrolments

To illustrate the potential negative aggregate impacts, we consider an indicative scenario where international student enrolment limits result in a cut to onshore higher education international student enrolments of 10 per cent across all providers.

A decline in higher education international students by 10 per cent would result in less income from this source, including to fund research and development expenditure by the higher education sector (HERD).

Given the strong correlation between onshore international student enrolments and R&D spending (see Chart 1 based on 2020 figures) we estimate that a 10 per cent decline would translate into an approximate \$1.55 billion annual reduction in funds available for HERD, including approximately \$0.95 billion for the Go8.

This represents approximately 12 per cent of Australian universities investment in research.



Appendix 2: The impact on Australian public research of a 10% cut to Go8 international student revenue

In 2022 Go8 members reported \$5.114 billion in revenue from overseas students representing 32.6% of total revenues. On this basis, caps on international student enrolments that delivered a redistribution cutting Go8 enrolments by 10% would result in lost revenue of \$511 million.

Based on the work of the Go8 CFO group it is estimated that on average each dollar of external research grant funding received by a Go8 member requires \$1.19 in cross-subsidy to fully fund the research project, the so-called full economic cost. In these terms, the opportunity cost of a cut in \$511 million in collective Go8 revenue from international students is the support of almost \$430 million of research grant funding.

In concrete terms, this cut represents:

- 90 per cent of the Go8 effort in conducting ARC research – or 58 per cent of the total ARC funded research effort.
- 80 per cent of the Go8 effort in conducting NHMRC research – or 61 per cent of the total NHMRC funded research effort.
- All of the Go8 effort in conducting MRFF research.
- 42 per cent the Go8 research effort in conducting ARC, NHMRC and MRFF funded research – or 30% of the total.

INTERNATIONAL STUDENTS AND HOUSING AND OTHER COST OF LIVING PRESSURES

CONTEXT

Australia is experiencing a significant housing shortage and other cost of living pressures. Population growth has been strong, driven by net overseas migration over the past year, including international student arrivals to Australia.

Any policy measure to address housing availability and other cost of living pressures by capping genuine international student arrivals to Australia is short-sighted. It will not address the underlying causal factors of housing and cost of living pressures and instead potentially put a brake on Australia's economic growth and prosperity.

KEY POINTS AND RECOMMENDATIONS

- The housing affordability and more general cost-of-living crisis is fundamentally a supply side problem, rather than attributable to international student arrivals.
- The housing sector is segmented, and international students contribute to particular segments in demand – not all segments. Nonetheless, more investment in housing supply is needed together with broader reforms to boost the supply-side capacity of the economy.
- Capping international student arrivals would be detrimental to Australia's higher education sector, which is already underfunded, and the economy more generally, both in the immediate and longer term.
- Australia needs to ease constraints on housing supply, whether they be input costs, regulatory burdens, and/or skill shortages in trades. Australia also fundamentally needs to revitalise national productivity growth to add to the supply side of the economy.
- The Go8 call for a long-term investment in the innovative and productivity capacity of the Australian economy including through, for example, lifting R&D intensity.

THE UNDERLYING CAUSES OF AUSTRALIA'S HOUSING AND OTHER COST OF LIVING PRESSURES

The **underlying** causes of Australia's housing shortage and broader cost of living pressures are a product of supply side factors. The number of international student arrivals has no direct bearing on these factors, which include:

- a) **Lack of housing supply, including affordable social housing**, underpinned by decades of underinvestment.
- b) **Regulatory barriers and costs** to housing supply, including planning approvals, and **lack of clear policies across all levels of government to ensure supply is adequate**.¹ This includes, elevated construction costs, longer build times and a shortage of tradespeople. Media reports suggest that average wait times from approval to completion of either new houses or apartments have recently increased.²
- c) **Supply chain disruptions** (including globally) that have transmitted into reductions in input supplies and higher input costs passed on through the supply chains to the public.
- d) **Weak productivity growth**.
- e) **Weakening of market competition** and concentrated market power – a potential factor which is being examined by the ACCC along with a focus on renewing National Competition Policy reforms.

The housing affordability crisis is not a domestic phenomenon. Rising housing costs have been reported in various parts of the world, including in advanced economies such as Canada, the UK and parts of Europe.³

Nationally, Australian universities, including the Group of Eight (Go8) universities, together with purpose built student accommodation providers (PBSA), are heavily investing in the supply of affordable student accommodation to address the needs of students.

Go8 universities either provide or facilitate access to accommodation for over 83,000 students. The total accommodation available via the Go8 is approximately two international students for every per student accommodation supply that Go8 members provide/facilitate access to. There are approximately 10 international students for every directly owned university per student accommodation supply.

Go8 members also have a substantial forward plan of additional supply across the next decade, and it is likely that other universities have similar accommodation strategies in place.

DEMAND-SIDE IMPACTS OF INTERNATIONAL STUDENTS

There is no question that certain cohorts of international student arrivals have made a significant contribution to the recent increase in net overseas migration and contributed to demand in the Australian economy, including demand for housing.

Over the past year international students have contributed to demand in the economy. International students spend money on Australian goods and services, which helps businesses across the economy be profitable, employ Australians, and pay taxation, contributing to revenue which in turn can (and is) be utilised on public services.

by international students, this supports 8.78 (headcount) jobs throughout the Australian economy.⁴

The immediate contribution of international students to Australia's economy is estimated by a National Australia Bank (NAB) analysis.⁵ The analysis shows that spending by

... for every \$1 million of off-campus non-fee expenditure by international students, this supports 8.78 (headcount) jobs throughout the Australian economy.

Spending by international students supports employment in Australia, both within the education sector and also more broadly across the economy as well as being a source of labour supply. Previous analysis by London Economics (2021) of the economic impact of Go8 universities suggests that for every \$1 million of off-campus non-fee expenditure

international students was responsible for an 0.8 per cent increase in GDP in 2023, over half of the recorded 1.5 per cent economic growth. To quote the Minister for Skills and Training, Brendan O'Connor on this analysis:

"So, the numbers are in. And it's a two-way story of opportunity".⁶

1 James Hansen and Alicia N. Rambaldi. (2022). 'How do homes transfer across the income distribution? The role of supply constraints', Paper prepared for the 37th IARIW General Conference, 26 August. <https://iariw.org/wp-content/uploads/2022/07/Hansen-Rambaldi-IARIW-2022.pdf>

2 Tom McLroy and Campbell Kwan. (2024). 'IR laws thwart Australia's housing targets: builders'. Australian Financial Review. 9 April. <https://www.afr.com/politics/federal/ir-laws-thwart-australia-s-housing-targets-builders-20240408-p5f12n>

3 Albert Saiz. (2023). 'The global housing affordability crisis: policy options and strategies', IZA Policy Paper No. 203, October.

4 London Economics. (2020). *The economic impact of Group of Eight universities*. https://www.go8.edu.au/Go8_London-Economics-Report.pdf

5 National Australia Bank. (2024). *Markets Research, Macro-Thematic – International students drove growth in 2023*.

6 The Hon Brendan O'Connor MP, Minister for Skills and Training. (2024). *Launch of the Pearson Migrant and Student Study*, Press Release, 21 March 2024.

DEMAND-SIDE IMPACTS OF INTERNATIONAL STUDENTS

CONTINUED

ABS data also shows that spending by international students almost halved to \$22 billion in 2021 (from \$40 billion pre-pandemic) during COVID-related border closures. In fact, the impact of reduced international student numbers was such that the former Prime Minister, Scott Morrison noted it was one of the drivers to re-open the borders in early 2022:

In 2023, spending by international students was responsible for an 0.8 per cent increase in GDP.

"we also want [students] to come here and be able to be filling some of these critical workforce shortages, particularly those who are working and being trained in healthcare, aged care, those types of sectors, that will be incredibly helpful".⁷

At a time when the 3–Ps (Productivity, Participation and Population) to economic growth show weak productivity growth and limits to growing participation, Australia is relying on population growth to prevent slipping into weaker economic

growth territory. And it is international student arrivals, through (temporary) population, supporting Australia.

In 2023, spending by international students was responsible for an 0.8 per cent increase in GDP. Recent evidence from the Reserve Bank of Australia (RBA) suggests that growth in total consumer spending, which includes the demand side effect of increased

international student arrivals, has recently slowed.⁸ The NAB expect students' contribution to GDP growth to slow to around ¼ percentage points over 2024. The ABS also recognises the temporary nature of the increase in net overseas migration from international students:

"Many of those now arriving on temporary visas, such as international students, may start to leave as they finish their studies in the coming years. This would have a downward impact on net overseas migration in the future".⁹

INTERNATIONAL STUDENTS AND DEMAND FOR HOUSING

Strong population growth, including net overseas immigration underpinned by international student inflows does raise demand for housing. RBA modelling shows that an increase in population growth reduces rental vacancies, increases rent and housing prices (albeit the impact on housing prices is small, relative to the role of interest rate changes), but also increases construction (supply of housing).¹⁰

It is overstated to blame Australia's **national** housing crisis on international student arrivals, particularly when stronger demand has not been met by supply. **New housing supply falling short of increased demand is a key driver.** Chart 1 shows that from the peak of March 2021, the monthly number of houses approved for construction has fallen by approximately 46 per cent.

While the relationship between demand from international students for housing and vacancies and rents may well be stronger in locations closer

to education institutions and in inner cities where demand already exceeds supply, the relationship between residential vacancies and international student arrivals is not straightforward.

The national residential vacancy rate relative to the seasonally adjusted number of international student arrivals is presented in Chart 2. The expectation that a stronger number of international student arrivals is associated with a lower national vacancy rate due to international students significantly raising demand relative to supply, does not hold.

RBA modelling shows that an increase in population growth reduces rental vacancies, increases rent and housing prices ... but also increases construction (supply of housing).

7 <https://www.skynews.com.au/australia-news/politics/scott-morrison-pleads-with-backpackers-and-foreign-students-to-return-to-australia-as-country-faces-workforce-shortages/news-story/82721a14a94b0c8882d37a5400ad2373>

8 Reserve Bank of Australia. (2024). Statement on Monetary Policy, February. <https://www.rba.gov.au/publications/smp/2024/feb/pdf/statement-on-monetary-policy-2024-02.pdf>

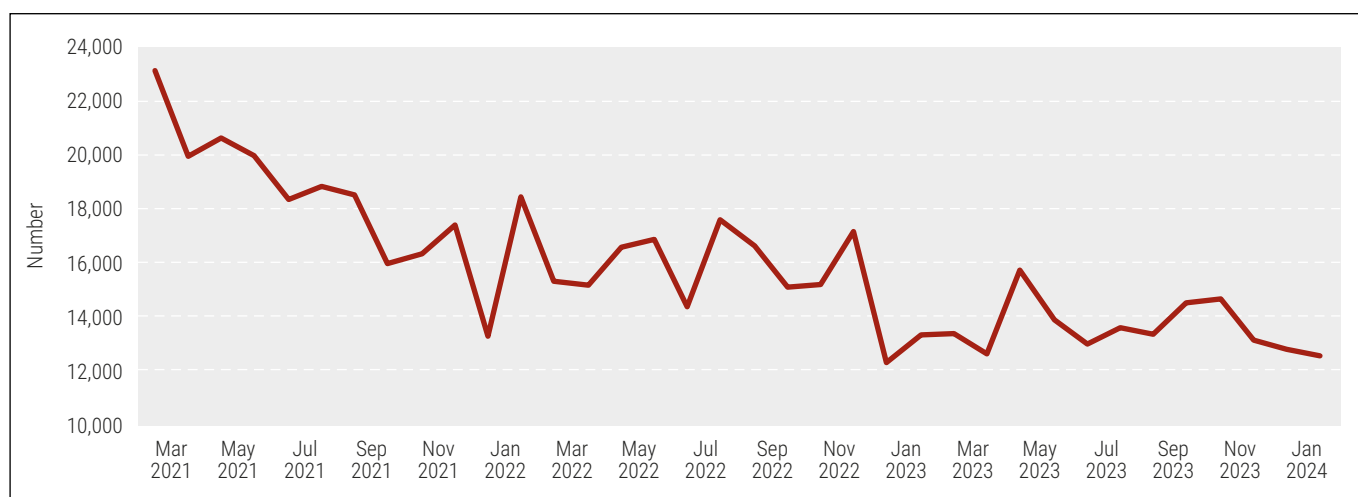
9 Australian Bureau of Statistics. (2023). 'Record high net overseas migration driven by temporary visa holders in 2022–23', Media Release, 15 December.

10 Saunders, T., & Tulip, P. (2019). 'A model of the Australian housing market', Reserve Bank of Australia Research Discussion Paper, 2019-01.

INTERNATIONAL STUDENTS AND DEMAND FOR HOUSING CONTINUED

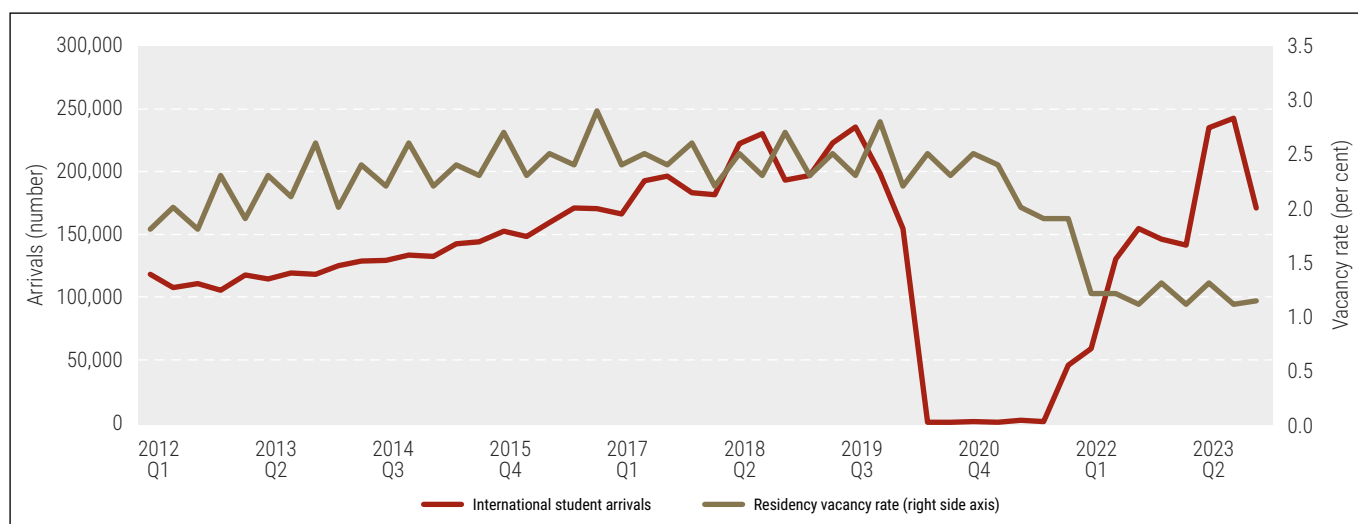
- For example, in the first part of the sample from 2012 to 2019, Chart 2 shows the national residential vacancy rate was generally increasing as the number of international student arrivals also increased. There is a positive association instead of a negative correlation.
- During the COVID-19 pandemic, many international students returned to their home countries, and arrivals were significantly reduced to approaching zero during stages of 2020. Yet over this period, Chart 2 shows the national residential vacancy rate continued to decline (including reflecting a withdrawal of supply of residential properties in response to the pandemic).
- Finally, Chart 2 shows from 2022–2023, international student arrivals have rebounded from the COVID-19 lockdown period whereas the national vacancy rate has remained relatively stable, albeit at a low level.
- The spike in international student arrivals from the near zero levels in 2020 also reflects pent-up demand during the COVID-19 lockdown period. Using 2019 as the "base year" suggests potentially around 174,000 commencing higher education international student arrivals reflect this unmet demand over 2019 arrival levels. This figure does not include students whose studies in Australia were interrupted by COVID-19 and chose to defer rather than continue studying through hybrid course delivery from overseas. Once this spike in pent up demand subsides, there will likely be a return to steady growth.
- In addition, while the portion of temporary student visa holders increased substantially in 2022–23, there is still the natural turnover of students in the sense that a significant proportion of students return overseas after graduation, which is in part a normalising of international student flows.

Chart 1: Number of dwelling units approved



Data source: ABS, Building Approvals, Australia.

Chart 2: International student arrivals and national residential vacancy rate



Data source: International student arrivals – ABS 3401.0 Overseas Arrivals and Departures, Australia, with aggregation to quarterly and seasonal adjustment. Residential vacancy rate – SQM Research: <https://sqmresearch.com.au>

WHAT ABOUT THE IMPACT OF INTERNATIONAL STUDENTS ON HOUSING IN METROPOLITAN AREAS?

The relationship between housing demand and international student arrivals may well be stronger in locations closer to education institutions and especially in inner cities. This is particularly pronounced for Sydney and Melbourne, where the latest ABS data shows significant increases in net overseas migration in areas around major universities in the two cities.¹¹ These are localities where demand for housing already exceeded supply before the recent spike in net overseas migration.

But several factors should be considered:

- In general, international students tend not to have the same collateral and financial means to compete in high rent areas, therefore if there is any causation of people being priced out of rental accommodation, it may be international students that are being priced out of inner city and sought after locations. Evidence suggests that international students are struggling to afford inner-city apartments, as was the case pre COVID-19.¹²
- Some international students seek bespoke student specific accommodation on or around education campus and this accommodation is not generally open to non-students. Accommodation that is tailored to both international and domestic students and is different to the type of private rentals usually in demand by domestic non-student residents include:
 - » University owned accommodation.
 - » Affiliated residential colleges.
 - » PBSA owned/managed in some form of partnership or lease arrangement with the university and a private provider, e.g. Scape.
 - » PBSA entirely privately owned/operating but with universities advertising to students.
 - » Vetted private rental accommodation.
 - » Other options such as “homestays”.
- Where international students do compete with domestic residents for private rentals, some are likely to be in “share homes” where there could be several students living on one property.

BROADER SUPPLY-SIDE IMPACTS OF INTERNATIONAL STUDENTS

More broadly on the supply side, in the immediate term, international students help relieve supply side constraints through their labour force participation. Over the medium to longer term, the contribution of international students to Australia is even more profound:

- International students reflect Australia's standing and reputation as a place to be. It assists in our soft diplomacy and cultural and social prosperity. It assists the peoples and countries around us, particularly from developing economies that see Australian education as a way of lifting their own prosperity.
- providing additional funding to universities, including for research, capping international students will put a direct hole in those finances, especially research activities.¹³ Media reports suggest that some universities are already experiencing the effects of slowing international student enrolments even before any capping or other restrictions.

For example, Federation University is reported to be making about 200 staff redundant due to a fall in revenue and international student enrolments.

- Income from international students is effectively propping up our national R&D effort and financing our universities. In the absence of the Australian Government

For example, Federation University is reported to be making about 200 staff redundant due to a fall in revenue and international student enrolments.¹⁴

¹¹ Australian Bureau of Statistics. (2024). *Regional population*. <https://www.abs.gov.au/statistics/people/population/regional-population/2022-23#data-downloads>

¹² Morris, A., Ashton, L. & Wilson, S. (2022). 'International students and the impacts of precarity: highly and extremely precarious international students in Sydney and Melbourne prior to and during the COVID-19 pandemic'. Sydney: Institute for Public Policy and Governance, University of Technology Sydney.

¹³ Tim Dodd. (2024). 'Universities face \$500m revenue loss from student visa debacle', *The Australian*, 10 April 2024.

¹⁴ Rochelle Kirkham and Steve Martin. (2024). 'Tertiary education union calls for Federation University leaders to resign after announcing redundancy plans', ABC Ballarat, <https://www.abc.net.au/news/2024-04-08/tertiary-education-union-federation-university-redundancy-plans/103680816>

BROADER SUPPLY-SIDE IMPACTS OF INTERNATIONAL STUDENTS

CONTINUED

■ Longer-term skills shortages have been one of the most talked about problems facing our nation. International students studying in Australia can and do assist in alleviating skill shortages both in cities and the regions. The great majority of international students do not stay in Australia – so cracking down on international student visas will not affect overall migration in the medium term. Moreover, we should be encouraging more international students

that graduate from our leading universities to seek residency and stay in Australia in the long-term, not less. Our domestic and ageing workforce is not enough to meet our needs.

■ We are in a global race for the most talented, smart and entrepreneurial people if we are to prosper. We need the brightest international students who go on to earn advanced qualifications (HDRs) and experience to help

Australia's drive to become a knowledge economy. If we want to lift productivity then we need our domestic workforce to be augmented by high quality international students, across STEM fields of study, cyber security, defence, engineering and energy sectors. In STEM fields, this is getting more challenging when fewer domestic students take STEM subjects in their high school studies.

■ With a focus on becoming a more complex economic and export-oriented economy, international students are contributing to this as our largest **valued added** services export. Whether an international student levy on Australian universities, or a cap on student numbers – the same result is a damaging policy 'own goal' to our services exports, making the nation poorer (net exports directly feed into our GDP figures).

PARALLELS WITH CANADA?

Canada has recently imposed a two-year cap on new international students visas and restricted eligibility for post-graduate work permits and related permits to spouses of students in an attempt to slow a rapid increase in temporary residents and reduce pressure on its housing and health care services. This is in the context of cracking down on "unscrupulous actors" that have taken advantage of international students and providing a poor education.¹⁵

While this policy is still in its infancy, the negative implications for the Canadian higher education sector and broader economy have been highlighted,

including negative impacts to the sustainability of labour markets, diversity and meeting the needs of high-growth sectors.¹⁶

¹⁵ Speaking notes for the Honourable Marc Miller, Minister of Immigration, Refugees and Citizenship: Announcement related to Temporary Residents. March 21, 2024. <https://www.canada.ca/en/immigration-refugees-citizenship/news/2024/03/speaking-notes-for-the-honourable-marc-miller-minister-of-immigration-refugees-and-citizenship-announcement-related-to-temporary-residents.html>

¹⁶ Colleges and Institutes Canada and Universities Canada. (2024). *Open Letter to Minister Miller: Concerns Regarding January 22nd, 2024 Announcement on International Student Program*. <https://www.collegesinstitutes.ca/news-release/open-letter-to-minister-miller-concerns-regarding-january-22nd-2024-announcement-on-international-student-program/>

SOLUTIONS TO AUSTRALIA'S HOUSING AND OTHER COST OF LIVING PRESSURES

If the Australian Government's resolution is that net overseas migration numbers must be eased, a blunt instrument such as immediate caps on international students attending Australian universities is not a smart solution as already outlined.

The Go8 does support **targeted** interventions to tackle "ghost colleges and visa factories" together with strengthened English language requirements for visas to ensure the integrity of Australia's (international) education and migration systems.¹⁷

More fundamentally Australia needs to ease constraints on housing supply, whether they be input costs, regulatory

burdens, and/or skill shortages in trades. The housing and other accommodation supply issues, on the back of years of underinvestment cannot be solved overnight, and the newly formed National Housing Supply and Affordability Council and Housing Australia Future Fund will need to be effective in significantly boosting supply, including affordable social housing.

¹⁷ The Hon Clare O'Neil MP, Minister for Home Affairs. (2024). 'Albanese Government continues to deliver on Migration Strategy', *Press Release*, 21 March 2024. These measures form part of a broader suite of measures in relation to the international education sector.