

Productivity Commission

Barriers to Growth in Service Exports

ACPET submission on Draft Report

September 2015

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ACPET welcomes the opportunity to comment on the Productivity Commission's draft report, *Barriers to Growth in Service Exports*, released on 12 August 2015. The draft report is timely given the work underway across government to grow the international education sector. It also builds on recent work by the Productivity Commission that considered in some detail the student visa arrangements that underpin the international education sector.

While the draft report considers a broad range of service industries, ACPET's comments are limited to several specific issues and recommendations that impact on the international education sector.

Export Assistance

The draft report highlights the highly competitive nature of the international education sector. It is globally contested with strong competition amongst countries to maintain or increase their share of visitors from key source markets, particularly China. As the report indicates, governments in competitor countries have initiatives focused on meeting this challenge.

Chapter 4 of the draft report considers some of the government programs that seek to assist Australian firms exporting services. Within the education sector the report outlines the marketing and promotion of Australian education and training, such as that undertaken by state and territory government bodies (for example Study Queensland and Study Melbourne), and nationally by Austrade.

The report rightly points out the rationale for government investment including that the benefits arising from international marketing and promotion of Australian exports can be captured by many tourism related businesses or education providers. Of course, for the same reasons, investment by individual firms is likely to be sub-optimal.

Against this background the draft report recommends:

DRAFT RECOMMENDATION 4.7

Where the administrative and compliance costs of identifying and charging the beneficiaries do not outweigh the benefits arising from improvements in resource allocation, the Australian, state and territory governments should strengthen efforts to recover the costs of providing information, advice and market research to service providers that are seeking to export.

While ACPET supports efficient allocation of funding the risks of government withdrawal from such assistance, including a stronger user pays approach, may diminish efforts to grow the market and simply give a 'free kick' to competitor nations that are active in seeking to grow their markets.

It also counters the current efforts by the Australian Government, through the draft National Strategy for International Education and Austrade's AIE 2025. These documents outline significant and ambitious strategies to grow the sector. Given this priority and the efforts of competitor nations, governments should be enhancing funding for information, advice and market research.

Of course there needs to be efforts to ensure value for taxpayer funds. Given the range of assistance available from Australian and state and territory governments, it would be appropriate to consider opportunities to consolidate, reduce duplication and better co-ordinate existing available government assistance.

On-line Education

In considering the barriers to international education (Chapter 7) the draft report highlights on-line learning restrictions for international students in Australia on student visas. As the report points out, these students may not complete more than 25 per cent of their total course by distance and/or on-line learning.

The draft report indicates that relaxing this restriction may assist in growing international student demand, noting international student feedback that the use of technology in teaching as an important determinant of teaching quality.

The report considers that while there may be some risks associated with easing restrictions regarding on-line learning (mostly to do with visa non-compliance and quality concerns where face-to-face delivery is considered essential) these should be dealt with through robust assessment regimes rather than limitations on on-line learning.

The draft report recommends:

DRAFT RECOMMENDATION 7.3

The Australian Government should examine the relationship between the use of online education by international students studying in Australia and student visa non-compliance to inform options for enabling more innovative and flexible approaches to delivering education services. This evaluation could include the use of policy trials that gradually relax restrictions on the use of online education by international students, with periodic evaluation by an independent body to assess any risk to immigration integrity, and any unintended consequences for course quality.

ACPET acknowledges the increasingly important role that technology plays in the delivery of education and training services and supports the examination of the restriction in on-line learning in the pending review of the National Code.

At the same time it needs to be recognised that students coming to Australia benefit greatly from the interaction with fellow students and the broader Australian community. Student visa arrangements support a broader international engagement and diplomacy function, as well as providing significant economic benefits to the Australian economy. Any significant diminution in the need for student attendance may dilute these benefits.

There needs also to be great care and consideration of the impact of such action on the quality and rigor of Australia's highly regarded and hard-earned international education reputation. While in theory, as the draft report suggests, it may be more appropriate to rely on robust assessment regimes to ensure quality, the reality is that current assessment arrangements are not sufficient.

Accordingly, trials should not precede the consideration of on-line learning as part of the review of the National Code.