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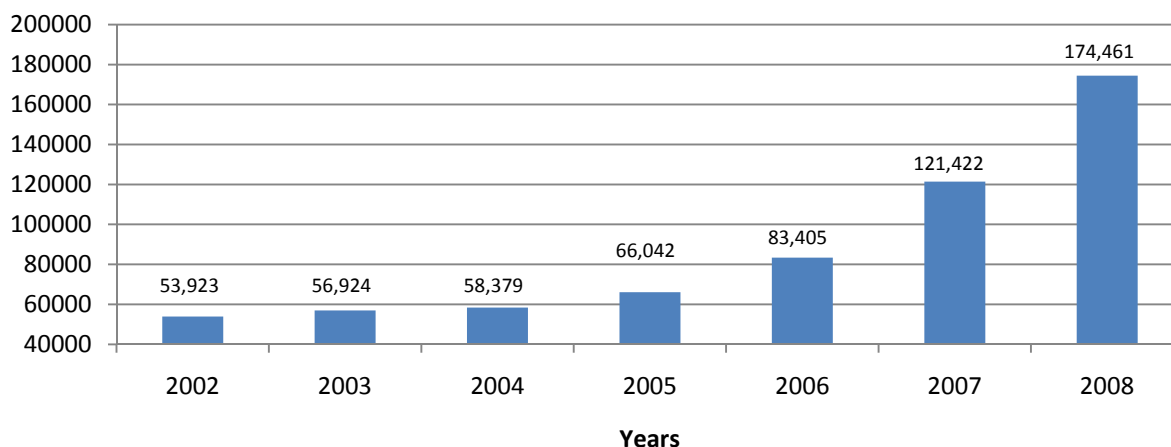
International Education Crisis and the Failure of Private Providers

There was a growing crisis in the international education market in Australia throughout 2009. By January 2010, more than 14 colleges in the international VET sector had been shut down, with 7,000 international students affected. More than ten colleges have closed in Victoria since July 09, with 3,000 students affected.

The crisis has been driven by a rapid expansion of the international VET market, which has grown by an extraordinary 323% since 2002, coupled with poor regulation of private providers. In international VET, the majority of VET enrolments are with 437 private providers; more than 84% of the market. In contrast, TAFE retains 80% of the domestic VET market.

Growth in international student numbers and private providers is illustrated by Graph 1.

**International VET Enrolments
2002 - 2008**



The crisis in international education is so serious that DEEWR officials are concerned that the ESOS Assurance Fund, established to provide some protection for students if colleges fail, could run out of money. In the period 1 Jan 2008 to 30 June 2009 it paid refunds to 889 students totalling \$4,274,601. At June 30, 2009 only \$3.4 million remained in the Fund.



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Dodgy Private Providers in the Domestic Market

There is a strong link between college failure in the private international student market, and the operations of the private domestic VET market. The VET system lends itself to shortened (and in some cases non-existent) training by not requiring the provision of a set number of hours per qualification or course (CBT). When this is combined with inadequate levels of funding for training – as in the Productivity Places Programme – then it effectively encourages the type of behaviour now evident in the international VET market. As the reality of what a market in education delivers in the international arena hits home, it is crucial to draw the links between the activities of international private providers and domestic ones. At the same time, it is important to emphasise the importance of a network of strong public TAFE institutes.

Why politicians are concerned – the importance of international VET to the Australian economy

Politicians constantly refer to the importance of international education to the Australian economy. However, unless the current crisis in private provision within the international market is tackled seriously by governments, VET students will suffer, and the integrity of Australian VET system will be further damaged. International education activity contributed \$15.5 billion in export income to the Australian economy in 2008, up 23.4 per cent from the previous year. Education services remains Australia's 3rd largest export, behind coal and iron ore (\$46.4 billion and \$30.2 billion respectively), and the largest services export industry ahead of personal travel services (\$11.7 billion). In 2008, the higher education sector generated \$8.9 billion in export income (59.4% of total on-shore earnings). VET was the second largest, generating \$3.4 billion in earnings (22.7%).¹

Brief History of international education in Australia

Between the 1950s and the 1980s almost all international students were either fully or partially funded by the Australian Government through aid programs, including scholarships. In the early 1980s a change of Government policy saw the Colombo Plan wound down and a system of student visas introduced, moving international education to a fee based structure and making it illegal for universities to subsidise foreign students from Government funds (unless through an existing targeted scholarship program).

In 1989 the student visa system was replaced by a system of "full fees" for non-local students (with the exception of a small number of scholarship programs), and no effective limits were placed on student numbers. This policy move effectively created a market led approach, in which universities could set their own fee levels and make their own decisions about how they invested in marketing and recruiting, infrastructure, student support and teaching. Later immigration policy (2005) provided a pathway for permanent residency through skilled training in areas of need.

¹ Export Income to Australia from Education Services in 2008 June 2009
http://aei.gov.au/AEI/PublicationsAndResearch/Snapshots/50SS09_pdf.pdf (accessed 28/7)