

English Australia Submission:

Joint Review of Border Fees, Charges and Taxes



Sent to: Australian Customs and Border Protection Service
via online form
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Executive Summary

The three key outcomes English Australia is seeking from this review are:

- Outcome 1.** The elimination of the Subsequent Temporary Application Charge (STAC) introduced on 1 July 2013.
- Outcome 2.** The breakdown of the Student Visa Application Charge (SVAC) into two categories:
 - short-term (six months or less)
 - long-term (more than six months)to align better with both comparable fees in competitor countries and similar short term visitor and tourist visas.
- Outcome 3.** A reduction in the Student Visa Application Charge to align better with comparable fees in competitor countries.

English Australia welcomes this review as an important opportunity to influence Australia's competitiveness and attractiveness as a study destination.

English Australia is the national peak body representing over 120 colleges which teach English language courses to overseas students.

In 2013, 147,823 overseas students studied English in Australia, representing export earnings of \$1.845 billion¹:

- 62% on student visas
- 19% on visitor visas
- 15% on working holiday visas
- 4% on other visas

This review is particularly welcome as a break with past practice in which visa fees and charges for overseas students have been increased with neither warning nor consultation nor justification.

¹ *English Australia Survey of major ELICOS regional markets in 2013* (May 2014) (supported by the Australian Government Department of Education)

Section 1) Background

The Government has commissioned a joint review of charges, fees and taxes (Fees Review or Review) at the border which will focus on identifying where the border charging arrangements can be improved to better support future border operations and outcomes for industry.

On **17 September 2014** an industry consultation paper was released, providing the opportunity for industry to contribute ideas on how current arrangements could be improved.

We note that submissions will be accepted up to and including **31 October 2014**.

Section 2) Context – English Australia & the ELICOS Sector

English Australia welcomes this opportunity to provide comment on the Fees Review.

The focus for this submission will be the range of visas that are used by international students and visitors wishing to study in Australia or combine study with travel or work.

The international education industry is complex, encompassing a diverse range of sectors, provider types, program types and students with varying motivations for choosing to study overseas. English Australia will focus this submission on the **ELICOS sector perspective** as other submissions will no doubt offer a range of other perspectives.

English Australia, formerly known as the ELICOS Association, is the national peak body and professional association for the English Language Intensive Courses for Overseas Students (ELICOS) industry. English Australia was established in the early 1980s and incorporated in 1990.

English Australia represents over 120 member colleges across Australia. More than 80% of all overseas students who study English in Australia do so with an English Australia member college. English Australia has both public sector (eg attached to a university or TAFE) and independent language centres among its membership.

The ELICOS sector has a 100% international focus as it provides courses only to overseas students.

The ELICOS sector provides an essential ‘pathway’ role in assisting many international students to develop the English language skills they require to be successful in further studies.

The ELICOS sector also has an important role in delivering English language courses to students without further study goals, but who see improved English language skills as a key contributor to their future success in a world where English language skills and an overseas cross-cultural learning experience are seen to give competitive advantage in an increasingly globally connected world.

The ELICOS sector also has a strong tourism component, delivering large numbers of short study tour programs as well as offering a wide range of English Plus programs for individuals eg. English plus surfing, English plus golf etc.

The Australian ELICOS sector operates within a highly competitive global industry. Approximately 1,500,000 people travelled to an English speaking country to learn English in 2012 – globally the English language travel industry is worth over US\$11.5 billion². *Study Travel Magazine* estimated Australia’s global

² *Study Travel Magazine* (December 2013)

market share in 2012 at 8% of English language students and 13% of the number of weeks spent studying English. Australia is the 4th most popular destination for English language study after the UK, US and Canada. There is still enormous potential to grow Australia's share of this important market.

The ELICOS sector is influenced by two key global trends:

- as recognised by the United Nations World Tourism Council, growing wealth in former developing countries is leading more young people to enjoy the cultural experiences of travel; and
- the desire to become proficient in English for education, business, cultural and leisure purposes will continue to be a priority for young people globally.

The ELICOS sector is a highly competitive global industry.

The Student Visa Program is important to the ELICOS sector, with 62% of all ELICOS students in 2013³ holding student visas. Other visas are also important, however, and the ability of students and other temporary visitors to switch between visa types onshore is of great importance to the sector.

Appendix A provides more information regarding the profile of the ELICOS sector.

Section 3) English Australia comments

English Australia welcomes this opportunity to provide comment on the Fees Review.

As outlined in the Context section of this submission, ELICOS providers are highly dependent on a smooth flow of international students into their programs and anything that impacts this flow can have a significant impact on their business stability.

English Australia notes the following from the consultation paper:

'The Review will encompass a series of activities undertaken to support proposed recommendations, including the analysis of:

- *Current domestic and international trade agreements and legislative requirements.*
- ***Costs and benefits** including **impacts** of potential changes on identified industries.*
- *Industry submissions and feedback.*
- ***Comparative international jurisdictions**, particularly their regulatory frameworks, and the charging structures currently adopted.*
- *Current and future costs of the agencies to ensure alignment with cost recovery guidelines where applicable.'*

³ *English Australia Survey of major ELICOS regional markets in 2013* (May 2014) (supported by the Australian Government Department of Education)

Budget Neutral Outcome

The consultation paper states that ‘The Fees Review will consider changes to current charges, fees and taxes as well as new approaches to charging in the future’.

English Australia strongly recommends that ‘changes’ not be defined only as increases as some in international education fear. References in the paper to achieving ‘at a minimum a revenue neutral position’ would seem to reinforce this view despite the assurances in the Minister’s media release stating that fees and charges should not provide a ‘disincentive to trade and travel that adds value to our economy’.

It is English Australia’s submission that budget neutrality should be defined prospectively to reflect the increase in revenue that the fast growing number of international students and visitors are already generating and are expected to continue to do so. In the interests of transparency it would assist industry if the actual costs of administering the student visa program were identified in this review. In the absence of such information submissions must rely on industry data to guide notions of revenue or budget neutrality.

International education’s contribution to Australia’s export earnings is expected to double to \$30 billion a year by 2020, according to international education researcher Alan Olsen speaking at the 2014 Australian International Education Conference.

If administration of the student visa system is revenue neutral at present, English Australia calculates that the increase in revenue from the projected growth in international students plus technological improvements which will reduce administrative costs should compensate for the reduction in revenue from our proposed removal of the STAC for student visas, introduction of a short-term (six month) student visa category and reduction of the SVAC for long-term student visa category.

National Interest

Australia’s trade in services in general and education in particular is going to assume greater importance over the next decade. As detailed above, export revenue from overseas students is anticipated to double in the next six years.

With the value of the Australian dollar falling, Australia’s second largest services export, tourism, is also expected to continue to grow. With returns from our major commodity exports, coal and iron ore, in decline, it is possible that education and tourism exports combined will become Australia’s largest export earner.

Given the importance that the major services exports are likely to assume to the Australian economy as a whole, it is appropriate that that a key input to the cost of education for overseas students be reviewed to ‘enhance trade growth and boost Australia’s economic prosperity’ (Minister Morrison, 17 September 2014).

International Comparisons

The consultation paper invited submissions to address ‘Comparative international jurisdictions particularly their regulatory frameworks and the charging structures currently adopted’.

Australia’s international education industry operates in an increasingly competitive market. In addition to the traditional competitor countries of the USA, UK, Canada and New Zealand, all of whom are setting ambitious targets to grow their international student numbers, other countries are also looking to grow their international education sectors and are examining ways to improve their competitiveness. Such competition is a potential threat to the Australian economy.

Australia has become one of the highest cost study destinations for international students and the comparatively high cost of visas is an important component. ELICOS colleges are particularly sensitive to this disincentive as the average course length for all ELICOS students is 12.9 weeks, with the average for those holding a student visa still only 16.8 weeks. This is supported by current research.

This year the global investment bank, HSBC, released two reports⁴ that aim to compare costs and parents' perceptions of educational quality in destinations around the world. For the second year running, HSBC finds that Australia is the most expensive destination for overseas students. The average international student, reports the bank, would need US\$42,000 a year to cover both tuition fees and costs of living in Australia compared with Singapore (US\$39,000), the US (US\$36,000) and the UK (US\$35,000). Other competitors are even cheaper – Canada (US\$30,000) and Malaysia (US\$13,000). The study points out that it is the relatively high cost of living in Australia that makes it the most expensive, although it is also amongst the highest in annual tuition fees.

The IDP 2014 International Student Buyer Behaviour Study found nearly half of international students who prefer to study in another country say the high cost of living was their primary reason for rejecting Australia. In other findings Canada and New Zealand were seen as the most affordable and safest countries with welcoming visa policies.

The findings in relation to Canada and New Zealand are significant because a standard student visa from those countries costs less than half the \$535 currently charged by Australia. Whilst some may argue that the student visa application charge is only a small component of a student's overall investment in an overseas education, the fact that Australia's charge is so much higher than that of other comparable countries sends a strong negative message to international students about how they are viewed by the Australian government. Much has been said of the perception of international students regarding their status as 'cash cows', with the visa charge only contributing to this perception. The non-refundable student visa application charge is a significant barrier to entry for many key source countries.

Appendix D provides an analysis of student visa application charges for key competitor countries that was circulated by DIBP to Education Visa Consultative Committee members earlier this year.

This shows that the visa charge for Australia is more expensive than any other key competitor country, except for the UK. What this analysis doesn't include, however, is the more realistic comparison for English language students with the UK's Student Visitor Visa, developed as an option specifically for the English language sector. This visa costs only:

- £83 for a 6 month standard visa (Aus\$153 at current exchange rates)
- £150 for an 11 month extended visa (Aus\$275 at current exchange rates)

The imposition in 2013 of a new, additional Subsequent Temporary Application Charge (STAC) of \$700 for students wishing to apply for a second temporary visa in Australia has only added to the costs for large numbers of potential English language students and acts as a significant deterrent to students/visitors considering extending their stay in Australia for either study or travel.

With visa fees at such a high level compared to competitor countries, it is understandable why international students do not regard Australia as having welcoming visa policies.

⁴ *The Value of Education: Springboard for success* (April 2014)

Subsequent Temporary Application Charge (STAC)

Outcome 1. The elimination of the Subsequent Temporary Application Charge (STAC) introduced on 1 July 2013.

English Australia notes the following from the consultation paper:

'Visa Application Charges recently underwent changes. This Review will focus on examining the outcome of these changes, and look for opportunities for improvements within the current pricing framework.'

One of these recent changes was the introduction of a new charge, the Subsequent Temporary Application Charge (STAC), from 1 July 2013.

English Australia understands that this new charge (which was introduced without any consultation) was introduced to address what was perceived as a high level of onshore 'churn' of temporary visa holders. However an initiative that was implemented to address the relatively small number of cases where this is an issue has proved to be a significant deterrent to the large numbers of visitors/students who are genuine about their reasons for continue to study and travel in Australia.

English Australia would argue that a certain amount of onshore 'churn' is actually desirable. We want visitors to have flexible options to study, travel and work in Australia and contribute to the economy.

The Department of Immigration and Border Protection (DIBP) has made available to the Education Visa Consultative Committee data regarding student visa applications lodged in the 2012-13 program year and the 2013-14 program year (following the introduction of the STAC) where the client location was onshore and the last visa held was a STAC-countable visa.

Appendix B shows this data analysed by the subclass of student visa granted.

Appendix C shows this data analysed by the category of the last visa held.

The data shows an overall decline of -11% in the number of student visa applications lodged onshore since the introduction of the STAC, with 12,224 fewer visitors/students applying to stay on in Australia for study purposes. The decline in applications for the Independent ELICOS student visa (subclass 570) is a much greater -17%, with 1,665 fewer visitors/students applying for an ELICOS visa.

The following case study shows the significant cost impact for a student undertaking short programs such as ELICOS. It is difficult to see the justification for \$1,700 in visa charges for only 32 weeks in Australia.

Case Study:

Rosana from Brazil arrives in Australia for a 3 month holiday on a Visitor visa (subclass 600) (cost: Aus\$130).

Towards the end of her holiday she decides she needs to improve her English skills and would like to enrol with an English college for a 10 week course. She applies for another Visitor visa (subclass 600) which allows study for up to a maximum of 13 weeks (cost: \$335 for an application in Australia). Her course tuition costs are \$316 per week for 10 weeks (total of \$3,160). **Her visa fee is 11% of her tuition costs.** She could study for another week for this money.

She is making great progress with her English and her parents suggest that she stays longer to improve her English language skills further. She enrolls in an academic English course for a further 10 week program but must apply for a student visa as she has now exceeded the

period she can study on a visitor visa. She applies for a Student visa (subclass 570) but this is her second onshore temporary visa so she is also liable for the STAC (cost: \$535 plus \$700 STAC = \$1,235). Her course tuition costs are \$316 per week for 10 weeks (total of \$3,160). **Her visa fee is 39% of her tuition costs.** She could study for another four weeks for this money.

She has paid a total of \$1,700 in visa fees for 32 weeks in Australia.

Student Visas

Outcome 2. The breakdown of the Student Visa Application Charge (SVAC) into two categories:

- short-term (six months or less)
- long-term (more than six months)

to align better with both comparable fees in competitor countries and similar short term visitor and tourist visas.

Outcome 3. A reduction in the Student Visa Application Charge to align better with comparable fees in competitor countries.

Unlike other international education providers, English Australia members teach only overseas students and have no domestic component. Also unlike other international education sectors, more than a third of the students taught by member colleges come to Australia on visitor, working holiday and other non-student visas.

Hence English Australia has a direct interest in better alignment of student visas with other classes of temporary visas catering for short term visitors. In 2013, 38% of ELICOS students came to Australia on non-student visas (over 56,000 students).

The cost of a student visa when viewed as a proportion of the overall cost of a 3 year degree program is very different when viewed as a proportion of the overall cost of a short 20 week English language course.

Not only do Australian visa charges compare unfavourably with those of key competitor countries, there is little consistency within the current Australian visa charge framework for those considering their visa options for a visit to Australia for short English language programs:

'primary' purpose	visa	length of visa	study allowed	cost
study	Student (570-576)	variable	unlimited	\$535
travel	Visitor (600)	3 months	up to 13 weeks	\$130
	ETA (601)	3 months	up to 13 weeks	\$20
	eVisitor (651)	3 months	up to 13 weeks	\$0
working holiday	Working holiday (417)	1 year	up to 17 weeks	\$420

English Australia would argue for greater consistency and greater alignment with equivalent visas in competitor countries (eg. UK) as per the following proposal:

'primary' purpose	visa	length of visa	study allowed	cost
study	Student (570-576)	6 months or less	up to 24 weeks	\$130
	Student (570-576)	more than 6 months	unlimited	\$420
travel	Visitor (600)	3 months	up to 13 weeks	\$130
	ETA (601)	3 months	up to 13 weeks	\$20
	eVisitor (651)	3 months	up to 13 weeks	\$0
working holiday	Working holiday (417)	1 year	up to 17 weeks	\$420

Section 4) Next steps

English Australia notes that following the written submission process, industry consultation will continue with targeted working groups and through existing industry consultative committees to explore and discuss ideas outlined in submissions and potential recommendations of the Fees Review to Government.

English Australia would be pleased to contribute further in the consultation process as described above.

Appendices

- Appendix A** English Australia Fact Sheet: *ELICOS Industry Statistics 2013*
- Appendix B** DIBP data – Student visa applications lodged between 2012-13 and 2013-14 where the client location was ONSHORE and the last visa held was a STAC-countable visa (by subclass of visa granted)
- Appendix C** DIBP data – Student visa applications lodged between 2012-13 and 2013-14 where the client location was ONSHORE and the last visa held was a STAC-countable visa (by previous visa held)
- Appendix D** Student Visa price comparison between Australia and other comparable countries

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[submission authorised by the Board of English Australia]

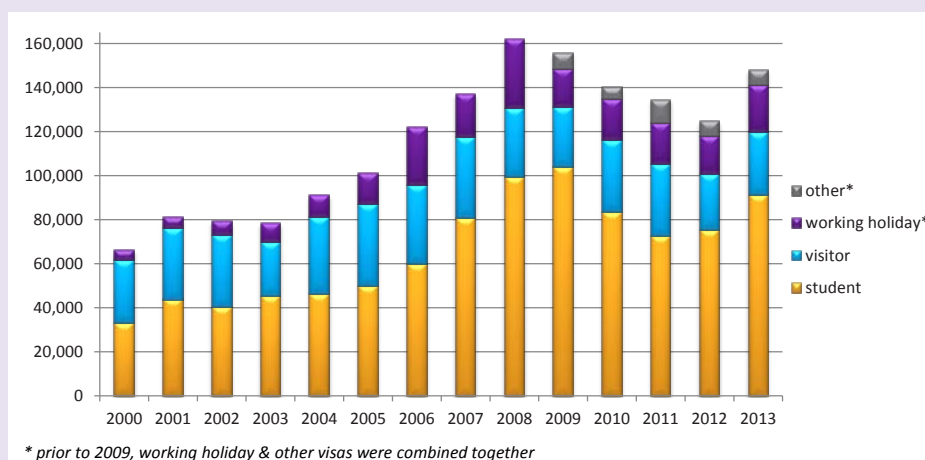
English Australia Fact Sheet

ELICOS Industry Statistics 2013



A total of **147,828** international students commenced English language programs in Australia in 2013.

Numbers of English language students in Australia **doubled in the five years between 2003 and 2008**, then **declined by 23% over the four year period 2009-2012**. **2013** sees a strong return to growth of **+19%**.

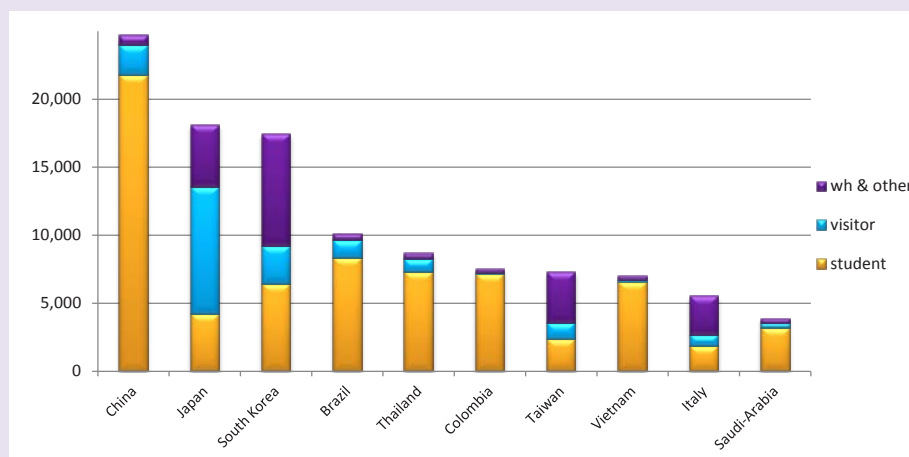


62% of English language students held Student visas in 2013, 19% were studying on Visitor visas and the remaining 19% utilised Working Holiday & Other visas.

It is estimated that approximately 39% of all English language students will pathway through to other education sectors, whilst the other 61% undertake an English language course for a variety of other reasons including tourism and career enhancement.

English language students came from over **140 different countries in 2013**. 64% of English language students came from Asia, with 17% from Europe, 14% from the Americas and 5% from the Middle East & Africa.

The **top ten source countries for 2013** are shown in the following chart



Non-Student visas are a particularly important option for English language students from Japan, South Korea and Taiwan as well as most western European countries.

All of the top ten source countries for ELICOS showed increasing numbers in 2013.

The strongest **growth** in terms of student numbers came from Vietnam (+3,133), Taiwan (2,650), China (+2,486), Thailand (+2,427) and Brazil (+1,719). The strongest **decline** came from: Switzerland (-364) and Kuwait (-284).

New South Wales was the destination for the largest numbers of English language students in 2013, followed by Queensland and then Victoria. Victoria and South Australia have relatively lower numbers of English language students using Visitor, Working Holiday and Other visas compared to the other states.



The average length of an English language course in 2013 was **12.9 weeks**. Student visa holders studied on average for 16.8 weeks, Visitor visa holders for 4.9 weeks, Working Holiday visa holders for 8.6 weeks and Other visa holders for 7.7 weeks.

Individual enrolments accounted for 93% of all enrolments. Group enrolments accounted for 7% of the total, with most group enrolments coming from Asia.

The total economic impact of the tuition fees and additional spending of international English language students in 2013 was **Aus\$1.838 billion**.

This represents an **average spend per student of Aus\$12,433**.

Further Information

The *English Australia Survey of Major Regional Markets for ELICOS Institutions 2013* is supported by the Australian Government through the Australian Education International (AEI), as part of its policy to provide data and research on international education. AEI manages Australian Government international education policy and is the international education arm of the Department of Education. For further information, please visit the website www.education.gov.au or www.aei.gov.au.

The purpose of the study is to gain a clear picture of the profile of overseas students and visitors who undertake English language studies in Australia each year. Statistics are obtained on:

- student numbers by nationality;
- student numbers by visa type;
- numbers of individual and group enrolments;
- length of enrolments; and
- enrolments in each state or territory.

The **Executive Summary** is available to all interested stakeholders at no charge and can be downloaded from the English Australia website at www.englishaustralia.com.au. The full **Report**, with detailed tables and charts, is available free of charge to all colleges that participate in the survey and to government departments. The full **Report** is also available to other interested parties for purchase from the Secretariat.

Appendix B

Student visa applications lodged between 2010-11 and 2013-14 where the client location was ONSHORE and the last visa held was a STAC-countable visa

Student Visa Subclass	Last Visa Held - Visa Category	2012-13	2013-14		
570	Student Visa	7,316	5,643	-1,673	-23%
	Subclass 457 Visa	41	29	-12	-29%
	Temporary Resident Visa	8	14	6	75%
	Visitor Visa	754	598	-156	-21%
	Working Holiday Maker	1,423	1,593	170	12%
570 ELICOS Total		9,542	7,877	-1,665	-17%
571	Student Visa	757	655	-102	-13%
	Subclass 457 Visa	54	38	-16	-30%
	Temporary Resident Visa	8	5	-3	-38%
	Visitor Visa	54	56	2	4%
	Working Holiday Maker	2		-2	-100%
571 Schools Total		875	754	-121	-14%
572	Student Visa	39,705	33,297	-6,408	-16%
	Subclass 457 Visa	280	359	79	28%
	Temporary Resident Visa	46	61	15	33%
	Visitor Visa	1,269	1,056	-213	-17%
	Working Holiday Maker	3,927	5,157	1,230	31%
572 VET Total		45,227	39,930	-5,297	-12%
573	Student Visa	53,386	48,270	-5,116	-10%
	Subclass 457 Visa	165	235	70	42%
	Temporary Resident Visa	35	54	19	54%
	Visitor Visa	959	902	-57	-6%
	Working Holiday Maker	695	751	56	8%
573 Higher Ed Total		55,240	50,212	-5,028	-9%
574	Student Visa	4,195	4,183	-12	0%
	Subclass 457 Visa	57	57	0	0%
	Temporary Resident Visa	50	47	-3	-6%
	Visitor Visa	123	101	-22	-18%
	Working Holiday Maker	93	84	-9	-10%
574 PGR Total		4,518	4,472	-46	-1%
575	Student Visa	456	419	-37	-8%
	Subclass 457 Visa	2		-2	-100%
	Temporary Resident Visa	2	2	0	0%
	Visitor Visa	33	18	-15	-45%
	Working Holiday Maker	54	41	-13	-24%
575 Non-Award Total		547	480	-67	-12%
Grand Total		115,949	103,725	-12,224	-11%

Appendix C

Student visa applications lodged between 2010-11 and 2013-14 where the client location was ONSHORE and the last visa held was a STAC-countable visa

Last Visa Held - Visa Category	Student Visa Subclass	2012-13	2013-14		
Student Visa	570	7,316	5,643	-1,673	-23%
	571	757	655	-102	-13%
	572	39,705	33,297	-6,408	-16%
	573	53,386	48,270	-5,116	-10%
	574	4,195	4,183	-12	0%
	575	456	419	-37	-8%
Student Visa Total		105,815	92,467	-13,348	-13%
Subclass 457 Visa	570	41	29	-12	-29%
	571	54	38	-16	-30%
	572	280	359	79	28%
	573	165	235	70	42%
	574	57	57	0	0%
	575	2		-2	-100%
Subclass 457 Visa Total		599	718	119	20%
Temporary Resident Visa	570	8	14	6	75%
	571	8	5	-3	-38%
	572	46	61	15	33%
	573	35	54	19	54%
	574	50	47	-3	-6%
	575	2	2	0	0%
Temporary Resident Visa Total		149	183	34	23%
Visitor Visa	570	754	598	-156	-21%
	571	54	56	2	4%
	572	1,269	1,056	-213	-17%
	573	959	902	-57	-6%
	574	123	101	-22	-18%
	575	33	18	-15	-45%
Visitor Visa Total		3,192	2,731	-461	-14%
Working Holiday Maker	570	1,423	1,593	170	12%
	571	2		-2	-100%
	572	3,927	5,157	1,230	31%
	573	695	751	56	8%
	574	93	84	-9	-10%
	575	54	41	-13	-24%
Working Holiday Maker Total		6,194	7,626	1,432	23%
Grand Total		115,949	103,725	-12,224	-11%

Student Visa price comparison between Australia and other comparable countries

APPENDIX D

(circulated by DIBP on 24/1/2014)

Student visa (Higher Education subclass 573 equivalent)

Country	Single applicant	VAC (\$A)	Multiple applicants (PA, spouse, 2 kids)	VAC (\$A)
Australia	Student visa <u>AUD\$535</u> <i>STAC (where applicable for 2nd visa onshore) - AUD\$700</i>	\$535 - \$1235	Base VAC <u>AUD\$535</u> AAC >18 yrs <u>AUD\$405</u> <18 yrs <u>AUD\$135</u> <i>STAC (where applicable) - AUD\$700</i>	\$1,210
Canada	Study permit <u>CAD\$125</u>	\$217	Work permit for spouse <u>CAD\$150</u>	\$870
New Zealand	Student Visa <u>NZD\$270</u>	\$256	Spouse/child work/study visa <u>NZD\$270</u>	\$1,025
UK	Tier 4 (General) visa <u>GBP£298</u> if applying outside UK or up to <u>GBP£781</u> if applying in UK	\$570 - \$1494	<u>GBP£298</u> for each family member if applying outside UK or up to <u>GBP£781</u> for each family member if applying in UK.	\$2280 - \$5976
USA	Student visa fee <u>USD\$160</u> <i>Issuance fee varies by country</i> SEVIS fee <u>USD\$200</u>	\$414	Student visa fee <u>USD\$160</u> (no work rights for family members) <i>Issuance fee (where applicable) varies by country</i> SEVIS fee <u>USD\$200</u>	\$966

	1 Australian Dollar
	(1AUD) =
Canada Dollar (CAD)	0.96716
New Zealand Dollar (NZD)	1.05387
Germany Euro (EUR)	0.63545
UK Pound (GBP)	0.52293
USA Dollar (USD)	0.86974

Acronyms

Additional Applicant Charge AAC

Student and Exchange Visitor Information System SEVIS

Subsequent Temporary Application Charge STAC

Visa Application Charge VAC