

26 September 2024

Committee Secretary
Senate Standing Committee on Education and Employment
Parliament House
Canberra ACT 2600

Dear Committee Secretary

Further Submission on the Education Services for Overseas Students Amendment (Quality and Integrity) Bill 2024 – Impact of the indicative International Student Profile on Regional Victoria

I write to provide further input from Federation University Australia (**Federation**) on the Education Services for Overseas Students Amendment (Quality and Integrity) Bill 2024 (**ESOS Amendment Bill**).

Following receipt of our Indicative International Student Profile (**ISP**) from the Department of Education, it is evident that the Federation proposed cap of 1,100 new overseas commencing students for 2025 disproportionately limits our ability to grow our international student program to the detriment of the regional communities we serve.

This is because Federation's international student program provides the critical scale to make domestic program offerings sustainable in regional communities and has been redesigned to complement an approach that focuses on maximising the outcome for local regional employers facing skill shortages. This also boosts the opportunities for regional learners to secure roles in industries critical to serving Australia's national interest.

Unfortunately, while Federation supports the intent of stable and secure international student levels over the more uncertain arrangements of Ministerial Direction 107, it would be unconscionable for Federation to not make further recommendations to the Senate Committee for Education and Employment given the proposed application of the ESOS Amendment Bill's powers could result in a projected loss of \$47 million by 2027 and immediately creates uncertainty around critical investments that support our students and communities.

In addition to this, Federation's circumstances may highlight an inadvertent misalignment between the ESOS Amendment Bill's provisions and the Minister's stated policy objectives of supporting regional institutions and promoting regional growth through education. This could be to the extent the Bill becomes open to collateral concerns it may permit unreasonable or illogical decisions in relation to the student level – i.e., that do not relate to international program integrity, accommodation supply or strategic industries.

Alternatively, while the Commonwealth Government has the clear power to regulate migration, the impacts on Federation may indicate the ESOS Amendment Bill may provide powers that are overly broad in relation to regulating a public university to the point it undermines the objectives of its state enacted enabling legislation – e.g., Federation's goal of delivering accessible education to the community.

To address the above impacts and concerns, Federation proposes a transition arrangement to provide a stable recovery path for regional universities, to ensure that the powers under the Bill provide the stability and certainty that does not undermine public universities directly tied to addressing place-

based skill. This would also smoothen the regional university sector's transitions to the proposed arrangements under the Draft International Education and Skills Strategic Framework.

Attachment A is Federation's full submission outlining the potential impacts of the indicative ISP it has received on the Wimmera Southern Mallee, Ballarat, Gippsland and Berwick communities.

Mr Jaime de Ano, Executive Director, Government Relations and Public Policy, at j.deano@federation.edu.au or on 0428 435 096.

Yours sincerely,

A handwritten signature in black ink that reads "Duncan Bentley". The signature is written in a cursive style with a long, vertical tail on the letter 'y'.

Professor Duncan Bentley
Vice-Chancellor and President

Federation University Australia's Indicative International Student Profile

Impacts on Victoria's Central Highlands, Gippsland, Wimmera Southern-Mallee and Greater South-East Metropolitan Regions

Submission to the Senate Committee on Education and Employment inquiry into the Education Services for Overseas Student Amendment (Quality and Integrity) Bill 2025 (ESOS Amendment Bill)

25 September 2024

Overview

Federation University Australia (Federation) would welcome the Senate Committee for Education and Employment's consideration of the following:

- ▶ **Federation's Indicative International Student Profile (ISP) proposed under the ESOS Amendment Bill embeds the harm of Ministerial Direction 107 (MD107)** in keeping Federation's international student program disproportionately and artificially smaller by basing on its 2024 reset to comply with the Department of Home Affairs and GTE requirements.
- ▶ **This makes Federation's ISP far lower than what would normally have been achieved given its 2023 NOSC** and a much smaller component of Australia's international education sector than in normal market conditions.



1. **This risk undoing Federation's strategic plans announced in March 2024 to reduce costs and reset its international student program to stabilise revenue by 2026**, which undermines the intent of the ESOS Amendment Bill to offer more certainty, stability and support for regional university recovery.



2. **There are significant inadvertent consequences for the Wimmera Southern-Mallee's, Central Highland's, Greater South East Metropolitan's and Gippsland's regional development and post-secondary attainment aspirations**, and the realisation of the associated social and economic dividends, if this recovery does not occur.



3. **Transition arrangements setting a clearer path to recovery over 2025 to 2026 for regional universities** to achieve the sustainable ISPs needed to maintain their domestic programs and investment pipelines could avoid these risks entirely.

1. The Minister for Education’s proposed ISP of 1,100 New Overseas Commencing Students (NOSC) for Federation risks long-term education, economic and social damage to the Victorian communities it serves:



-\$3 million

Lost revenue in 2025



-\$47m

Cumulative projected loss by 2027



Urgent Action

Driven by revenue uncertainty beyond 2026



Halted Investments

To protect Federation’s limited financial reserves



Hard Community Impacts

Across the Central Highlands, Gippsland, Greater South East Metropolitan and Wimmera-Southern Mallee Region

► Federation **urgently** communicated the impacts of its indicative ISP to the Commonwealth Government when it was advised of the proposed level on Monday 26 August 2024 – it noted:

Impacts Communicated to the Minister for Education Tuesday 27 August 2024

Year	Planned NOSC	Indicative ISP + 5% growth in 2026 and 2027	<u>Potential</u> Shortfall	<u>Potential</u> Revenue Loss
2025	1,200	1,100	- 100	- \$3m
2026	1,600	1,155	- 445	- \$13m
2027	2,100	1,212	- 887	- \$28m

1. While \$3m could be addressed via reprioritization, the **uncertainty** beyond 2026 would stop Council authorising investments with a range of immediate and long-term unintended or inadvertent consequences.
2. Federation noted this was avoidable because of an apparent oversight in adopting Federation’s 2024 NOSC as the basis for Federation’s indicative ISP.
3. This is because Federation’s 2024 NOSC is based on a year it ceased recruiting overseas students to address the impact of **MD107**.

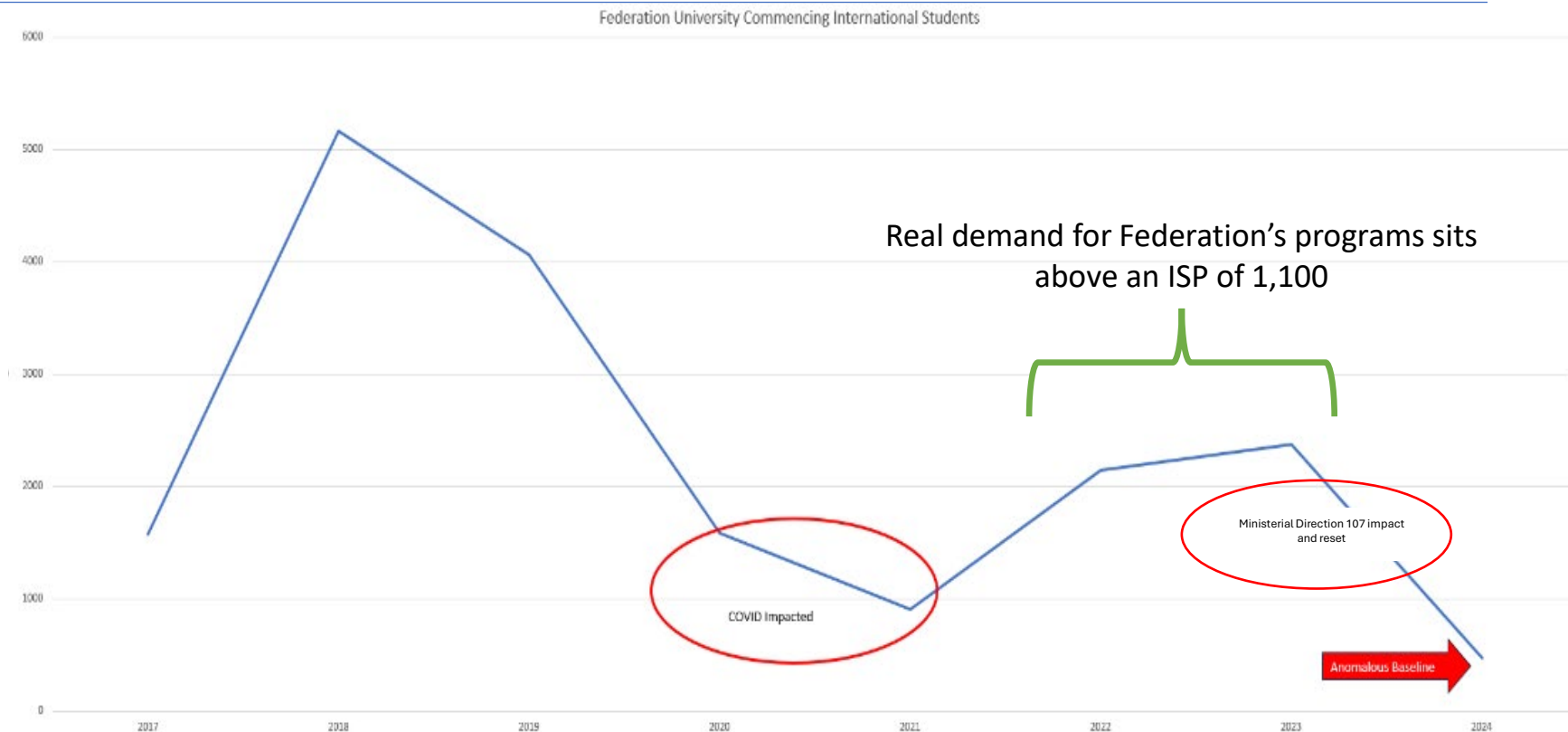
2. These inadvertent consequences are occurring because Federation’s proposed indicative ISP continues the disproportionate harm MD107 inflicts on regional universities like Federation:

- ▶ Despite the 2024 NOSC being **artificially low** to address MD107, the Department of Education applied a formula to develop Federation’s indicative ISP applied to other providers and intended to: “... reflect 2024 market conditions for some providers with lower 2024 conditions”.
- ▶ **However**, Federation's 2023 NOSC is demonstrably stronger than 2024, and formed the basis for Federation’s planning for recovery from the effect of MD107.

MD107 disproportionately impacts smaller regional universities by delaying visa applications for programs that depend on overseas students to be viable.

“But that’s not the case, is it, because some universities—namely the large, prestigious universities, the Group of Eight—didn’t have that sledgehammer applied to them, did they? ... Isn’t it the case that the international student numbers of the Group of Eight universities, which you represent, were not impacted compared with the regional and smaller universities, which Mr Webb refers to, which were absolutely smashed by this government in terms of visa refusals?”

- Senator Sarah Henderson, Senate Education and Employment Committee Hearing on the Education Services for Overseas Student Amendment (Quality and Integrity) Bill 2024.

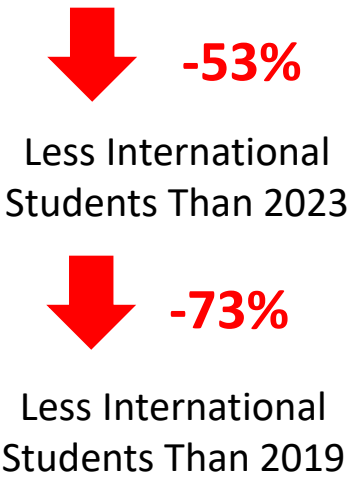


3. This approach leaves Federation as an outlier in Australia’s international education sector despite its status as Victoria’s principal regionally headquartered university.

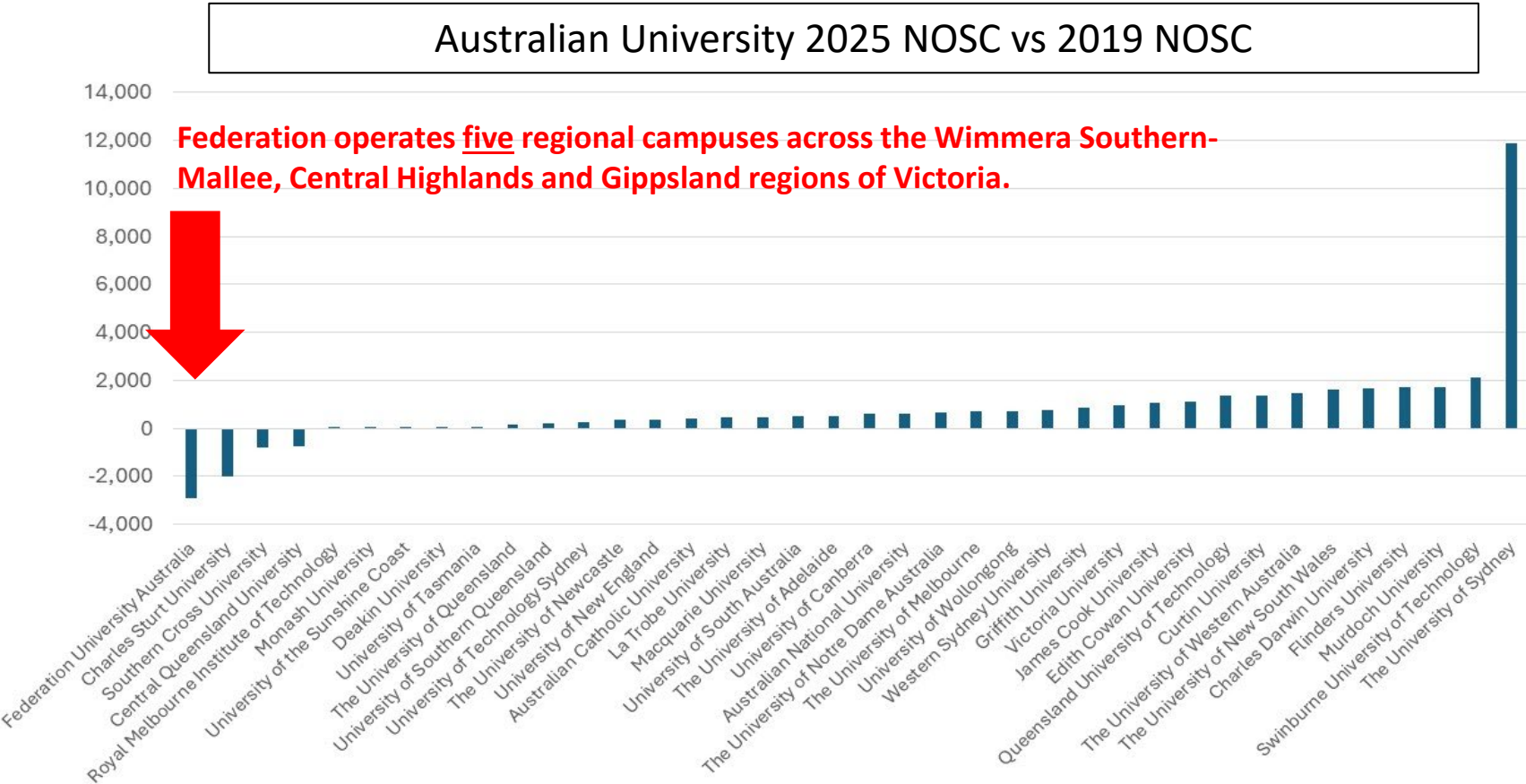
“To support greater sector sustainability and onshore diversification, government and education providers need to work more closely together to support the growth of the sector in regional areas of Australia.”

- Commonwealth Government’s Draft International Education and Skills Framework

However, despite this, Federation’s 1,100 ISP is:



Which means Federation has **0.5%** of the proposed 245,000 New Overseas Student Commencements in Australia in 2025



Source: Department of Education, PRISMS data from documents tabled in the Senate: https://www.aph.gov.au/Parliamentary_Business/Tabled_Documents/7455
Note: Excludes research students.

4. In addition to contradicting the Draft International Education and Skills Framework, Federation's ISP appears to ignore and contradict the University Accord Final Report:

“Regional universities face considerable financial hurdles compared to their metropolitan counterparts. These can be summarised as follows:

- In comparison to their metropolitan counterparts, regional universities often lack high-value investments, valuable infrastructure, established and diverse revenue profiles, and philanthropic support.*
- They receive little or no external funding for much of their community engagement work.*
- Due to their need to be geographically spread, they often find themselves maintaining expensive campuses and courses with lower student density.*
- Regionally headquartered universities receive a low proportion of Australia's competitive research funding—7%, compared to 93% for metropolitan universities, and 69% for Group of Eight universities (based on 2021 research income). These universities also receive less than a third of research income from the Rural Research and Development Corporations (RDCs), receiving 27% of income from RDCs in 2021.*
- Regional universities operate in thinner student markets and have higher proportions of part-time, First Nations, and low SES students, which incur associated costs of delivery. More than 84% of students enrolled are in online and multi-modal (a combination of online and face-to-face) enrolments.*
- Their remote locations can cause supply chain issues and additional expenses, making the maintenance and building of infrastructure and facilities more costly than in cities.*
- Difficulties in building new infrastructure reduce their capacity to compete with metropolitan universities in attracting students, particularly international students and those seeking a more contemporary learning environment.*
- They often find the cost of regulatory compliance more difficult to absorb than their city counterparts, as they operate in reduced-density environments, and managing compliance activities can divert resources away from core operations.*
- The challenge of sustaining their regional footprint within the existing funding policy settings leads many regional universities to establish campuses in state capitals to attract international students, achieve economies of scale, and ensure financial sustainability within the current system.*

These diseconomies of scale—and indeed the full cost of educational delivery in regional Australia—need to be addressed as a matter of urgency. The Review believes that action is needed.”

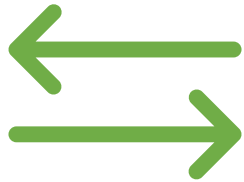
5. Despite the financial difficulties, Federation has already adjusted its arrangements to reduce the size of its international student program under MD107 and become sustainable by 2026:

- ▶ Federation achieved this by removing 163 regional higher education roles from its structure while halting recruiting of international students under MD107 to improve the flow of NOSC in 2025 to 2026.
- ▶ In doing so, Federation has maintained the core regional international student focused program while planning to reduce its metropolitan international student partnerships and campuses significantly.
- ▶ Matched investment pipelines slated to commence in 2025 into 2026 are now halted due to Federation’s indicative ISP.

Year	New Overseas Commencing Students	Overseas Student at Regional and Outer Metropolitan Campuses	Overseas Student Concentration at Regional Campuses (Higher Education Only)	Overseas Students Metropolitan Levels	Total Overseas Student Concentration (excluding offshore partner students)	Net Operating Results Based on Tabled Annual Reports
2019	4,109	2,090	20%	3,996	42%	\$37m
Impact of the COVID-19 Pandemic						
2020	1,535	2,004	12%	5,528	47%	\$4m
2021	821	1,661	13%	2,614	33%	\$33m
2022	2,072	1,737	14%	2,511	35%	-\$41m
2023	2,306	2,351	19%	1,958	36%	-\$76m
Impact of MD107						
2024	445 (Recruiting paused early 2024 due to MD107)	1,917	16%	918	24%	(Deficit)

6. Federation's work on its international student program compliments the significant work it has invested in delivering a stronger domestic dual-sector education program for the Wimmera Southern-Mallee, Central Highlands, Greater South East Metropolitan and Gippsland communities

- ▶ In 2024, Federation invested \$22m in equity initiatives to support its **13,791** domestic students. Federation's students are predominately **female (60%)**, **mature age (56%)** and **studying part-time (53%)** – i.e., with carer responsibilities, part-time work obligations.
- ▶ In this context, Federation has been able to secure a post-COVID recovery in domestic students with improved results across all metrics – pre-census loss, progression, attrition, completion rates and student experience feedback. **Domestic student attrition is at 21% down from 26.9%.**



International students enable investment in domestic student experience critical to achieving the aspirations set out in the Universitas Accord Final Report.



In Federation's case, these investments support equity students through delivering higher end-to-end learner experiences for underrepresented student cohorts



As a result, Federation is No.1 in equity and first in generation cohort as well as holding No.1 in undergraduate salaries in Victoria through its community and industry focused approach.

In combination with a reset to an international student program, Federation's expanding domestic education program will keep international student concentration ratios stable while supporting regional education service delivery. The uncertainty Federation's ISP creates will have inadvertent community impacts.

7. The uncertainty created by Federation's ISP over 2025 to 2026 and beyond has real consequences for the Wimmera-Southern Mallee, Central Highlands, Greater South East Metropolitan and Gippsland Regions:


- 1 Stunting Post-Secondary Attainment in Key Victorian Regions
- 2 Disrupting Skills Pipeline Essential To Victoria's Regional Development
- 3 Creating Uncertainty for Higher Education Infrastructure Investments Beyond 2026
- 4 Destabilising Regional Employment
- 5 Limiting Accessible Post-Secondary Education Access For Needs Based Cohorts
- 6 Impeding Regional Growth Aspirations

Community Impact One: Stunting Post-Secondary Attainment in Key Victorian Regions

Federation’s ISP does not recognise that many of Federation’s programs need a certain and stable level of international students to offer programs to domestic students in the smaller regional communities its campuses serve:

Uncertain future international student enrolment levels can compromise the sustainability of future offering of accessible education or comprehensive subject breadth in critical areas.

Ballarat Campuses



Current Attainment Gap
44% have no qualification*


2024 Dual-Sector Delivery:

1,274
International Students

7,588
Domestic Students

Fields	Domestic	International
Nursing	635	243
Social Work	77	129
Engineering	60	244
Education	175	63
Technology	20	237
Business	13	59

Gippsland Campus



Current Attainment Gap:
48% have no qualification*


2024 Higher Education Delivery:

116
International Students

1,470
Domestic Students

Fields	Domestic	International
Nursing	548	82
Engineering	29	7
Technology	12	11

Berwick Campus



Current Attainment Gap:
45% have no qualification* **

2024 Higher Education Delivery:

506
International Students

1,949
Domestic Students

Fields	Domestic	International
Nursing	750	221
Social Work	74	129
Biomedical Science	52	19
Technology	51	61

NOTES:
*Based on the Victorian Skills Authority Employment Forecast Dashboard.
** Based on South Metropolitan Region
Data is drawn from Federation internal enrolment data as of September 2024 and is subject to change.

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TESQA PRV12151 (Aust University)

Community Impact Two: Disrupting Skills Pipelines Critical to Victoria's Regional Development

Federation's ISP does not recognise that Federation's campuses are key to delivering workforces needed for cost effective regional development, growth and wellbeing.

Federation's programs align to key areas of jobs growth identified in the Victorian Skills Plan. Compromising the sustainability of domestic offerings and not considering the place-based needs of regional communities with respect to migration and international students forces regional employers to attract overseas and metropolitan talent. This is more costly and less sustainable. It leaves regions structurally dependent on outside factors to properly develop.

Federation is meeting the Victorian Skills Plan's call for more workers in key growth areas:

- Health – 2,657
- Manufacturing – 765
- Professional – 468
- Education – 1,114

Ballarat Campuses



- Health – 3,528
- Professional – 489
- Construction – 1,030
- Education - 804

Gippsland Campus



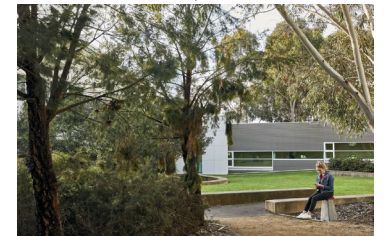
- Health – 916
- Manufacturing – 238
- Professional - 170

Horsham Campus



- Health – 11,655
- Education – 5,286
- Manufacturing – 6,278
- Professional - 2,398

Berwick Campus



Federation is also supporting regional aspirations for key growth industries:

- Attracting Major New Technology Investors
- Expanding Renewables Workforces via RPPP
- Clean Economy Research

- APRETC expansion for hydrogen and off-shore wind.
- RPPP Applications for Renewables

- Revitalised engineering facilities to support new minerals and infrastructure
- Expanding ancillary workforces to support community growth

- GSEM 22,000 knowledge-based job aspiration
- Advanced manufacturing and STEM capable workforce

Community Impact Three: Creating uncertainty for higher education infrastructure investments beyond 2026

The absence of an ISP beyond 2026 – when Federation is intended to return to financial sustainability – disrupts investment in major regional civic infrastructure. Strategic planning must occur now and in 2025 to secure effective delivery of these projects.

These investments being currently considered in strategic planning by senior-leadership and Federation’s Council support regional communities by creating jobs and revitalising infrastructure for post-secondary education delivery and community to use. Federation’s pipeline upon returning to sustainability post-2026, subject to Council approval and revenue, was expected to deliver \$206m of investment into the Central Highland, Wimmera Southern-Mallee, Berwick and Greater South East Metropolitan Regions

Examples of Possible Federation’s Capital Project Pipelines:

2025

~\$5.25 planned investment

Examples		
Campus	Example of Capital Projects	Millions
All	Learning and Teaching libraries	\$1
Ballarat	Tech Park Asset Upgrades	\$3

2026

~\$91m pipeline currently being planned for delivery

Examples		
Campus	Example of Capital Projects	Millions
Berwick	STEM, Co-Op and L&T Building Development	\$30
All	Clinics – Co-Op Hosting Infrastructure to offer low-cost allied health services	\$5
Gippsland	Student Learning Hub Place maker	\$5
Ballarat	Technology Park Co-operative Spaces	\$3

2027+

~\$115m pipeline being planned for delivery

Examples		
Campus	Examples of Capital Projects	Millions
All	Net Zero Implementation	\$20
All	Learning and Teaching aAssets	\$10
Gippsland	Gippsland Industry labs	\$5
Ballarat	Multi Story Learning and Teaching Centre	\$50

Community Impact Four: Destabilising Regional Employment

Federation’s ISP does not consider that Federation is a major regional employer in the Wimmera Southern Mallee, Central Highlands, Greater South East Metropolitan and Gippsland Regions.

Federation’s work to secure its financial position in 2024 ensures it can sustain its regional employment levels to 2026. The stability and sustainability of Federation’s programs beyond 2026 will require revenue or funding certainty to offset ISP-levels that do not align with its projected international or domestic student levels.

Federation’s Indicative Employment Profiles Ranges Based on 2024 Levels*:

Ballarat Campuses	Berwick Campus	Gippsland Campus	Horsham Campus
1,200 – 1,400	250 - 300	250-300	30 - 40

* Indicative ranges are provided because employment levels are fluctuating and key structural changes such as the Future Fed program are in flight.

Community Impact Five: Limiting Accessible Post-Secondary Education Access For Needs Based Cohorts

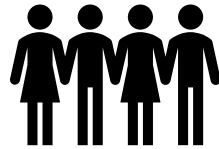
Creating uncertainty for Federation's programs and investments beyond 2026 will primarily impact aspiring learners from equity and needs based cohorts across the Wimmera-Southern Mallee, Central Highlands, Greater South East Metropolitan and Gippsland regions.

Federation's domestic student cohort of **13,791 higher education** and **vocational and education training students** have backgrounds from:



50.3%

**Regional or Remote
Cohorts**



21.7%

**Low Socio-Economic
Status Cohorts**



36.5%

**First in family
Enrolment Cohorts**



For these cohorts, alternative access to post-secondary education for relevant programs would involve significant commutes to other regional areas or metropolitan Melbourne.

Community Impact Six: Impeding Regional Growth Aspirations

Federation’s ISP does not reflect that international students are contributors to the communities it works in – in particular in the Wimmera-Southern Mallee, Central Highlands and Gippsland communities. It is estimated of \$60k of economic benefit per an international student equals \$138m of economic stimulus per a year from Federation’s international student programs at its 2023 NOSC level, which is concentrated in regional communities.

In addition to this, Federation’s adoption of a Co-Operative Education Model across its higher education and vocational education and training dual-sector offerings means its international and domestic students will connect with local industries earlier in their academic career, acquire skills through paid placements and find pathways to impactful employment in these regions.

“The recently announced ‘caps’ disproportionately disadvantage Federation University and if approved, will have a negative impact on our economy, the workforce and the cultural diversity of our city and region.”

Mr Michael Poulton, CEO
Committee for Ballarat

- 1. Ballarat has significant capacity for growth through increased migration indicated by low unemployment and cost of accommodation combined with high wages.
- 2. Gippsland and the Wimmera have higher unemployment but cost of accommodation is relatively low to absorb international students to address post-secondary education sustainability and domestic skill gaps in a cost-effective way.
- 3. The regional communities Federation serves do not have the cost of accommodation issues of Metropolitan Melbourne.

Indicators*	Ballarat	Gippsland	Wimmera	Melbourne
Unemployment	3.3%	5.3%	4.6%	5.0%
Median Income	\$53k	\$45k	\$48k	\$48k
Median Weekly Rent	\$300	\$270	\$215	\$396
Median House Price Transfer	\$575k	\$540k	\$312k	\$1.4m

*Data from Australian Bureau of Statistics

8. To address the community impacts outlined above, Federation **recommends**:

- A. The ESOS Amendment Bill is amended to contain a transition arrangement to provide regional universities with a stable and clear path to a full recovery from the COVID pandemic before falling under the National Planning Level – e.g., adopting a fixed three year phased transition arrangement with annual performance targets based on pre-COVID New Overseas Student Commencement levels.

For example, the ESOS Amendment Bill could permit universities with a high proportion of domestic students in regional areas to be allocated an ISP based on 1/3 of a pre-2020 NOSC each year until 2028 if they fall within 70% or more of that year's allocated ISP. After 2028 the transition arrangement would end.

- B. **ALTERNATIVELY**, the ESOS Amendment Bill is amended to require an arrangement to be entered into with any public university that has recorded three years of consecutive deficits to ensure its ISP – separate to the National Planning Level – is coordinated with other funding arrangements and policy initiatives in order to achieve sustainability, unless it is in the public interest not to do so.

Consistent with the above, Federation has also proposed to the Minister for Education on Monday 30 August 2024 that the Minister may wish to adopt similarly designed transition arrangements to offer certainty to enable the return to the 2023 NOSC between 2025 and 2026 under the existing architecture of the ESOS Amendment Bill to address the risks to regional Victorian communities. This proposal has not been directly addressed to date.