

INDUSTRY ACTION PLAN

NSW INTERNATIONAL EDUCATION AND RESEARCH

Prepared by the International Education and Research Industry Taskforce

25 September 2012



CHAIR'S REPORT

Purpose

The International Education and Research Taskforce was established in November 2011 to develop the International Education and Research Industry Action Plan for New South Wales and report back to Government by September 2012. The Taskforce membership is drawn from high level representatives from the international education and research sectors.

Taskforce Operations

The Taskforce held six formal meetings. All members actively participated and contributed to the discussions.

Three Working Groups were formed: Marketing and Promotion, Schools and International Research. Each of the Working Groups has made significant contributions to the work of the Taskforce and I thank the members for their efforts.

The Taskforce has consulted widely through one-on-one meetings and targeted public consultation forums. Consultations heard from all stakeholders, international students, education providers including regional universities and TAFEs, government agencies, education peak bodies and education agents.

Initial consultations were held prior to the release of the draft Industry Action Plan in June 2012 and we were fortunate to have the Parliamentary Secretary for Tertiary Education and Skills, Gabrielle Upton MP, in attendance to address the initial consultations. Further extensive consultations followed the release of that draft.

The consultations were a rich source of information. Our consultations with international students were particularly productive and it was very important to gain the perspective of clients of the sector as well as providers.

The Taskforce commissioned a report from KPMG which provided research on future trends in international education and online education to assist with the development of the Industry Action Plan. Some useful ideas emerged from that research which are included in an appendix to the Plan.

Industry Action Plan

On 17 September 2012, the Taskforce adopted the Industry Action Plan which follows.

The Plan addresses four key areas:

- Quality of teaching, courses and research and further enhancing the good reputation of New South Wales education and research institutions.
- Quality of total international student experience in New South Wales.
- Coordinated promotion of New South Wales' education and research strengths.
- Establishment of Study NSW. This key recommendation deals with how NSW Government agencies can be better organised to assist the sector to enhance and promote NSW offerings to international students in a very competitive market. Our intention is that Study NSW will also drive the further development and implementation of our recommendations.

I am pleased that the Plan addresses the substance of what NSW has to offer to international students as well as how we can better market and promote our existing offerings.

Conclusion

The Plan identifies actions that government and industry can take to address challenges, to leverage competitive strengths and to better coordinate government and industry activities to deliver maximum benefit to New South Wales.

The goal is to position New South Wales as a significant global player and the pre-eminent Australian participant in international education and research.

The potential for long term growth in these sectors is enormous so action to improve New South Wales' competitive position will potentially pay very significant dividends.

During our consultations, I was struck by the observations of numerous stakeholders who applauded the initiative taken by the Government in establishing the Taskforce. There can be no doubt the initiative is both timely and welcomed.

I encourage the Government to embrace the recommendations in the Industry Action Plan and proceed with implementation.

I take this opportunity to thank the members of the Taskforce for the considerable time and effort they have put into the work of the Taskforce and for their contributions. The members have worked very well together and our discussions and deliberations have been enthusiastic and constructive.

I also thank NSW Government agencies for their contributions to the Taskforce. The level of support we have had from the Office of the Deputy Premier and the Department of Trade and Investment has been excellent and I wish to particularly acknowledge the contributions of Linda Taylor and Kerry Doyle.

A handwritten signature in black ink, reading "Philip Marcus Clark". The signature is written in a cursive, flowing style.

Philip Marcus Clark AM
Chair

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List of abbreviations

ACPET.....	Australian Council for Private Education and Training
AEI.....	Australian Education International
CISA.....	Council for International Students Australia
COAG	Council of Australian Governments
DEC	Department of Education and Communities
EA.....	English Australia
ELICOS.....	English Language Intensive Courses for Overseas Students
ESOS	Education Services for Overseas Students
IEAA	International Education Association of Australia
ISANA	International Student Advisers' Network of Australia
ISLP	International Student Leadership Program
LTM.....	Language Travel Magazine (LTM Star Award, UK)
MOU.....	Memorandum of Understanding
UA.....	Universities Australia
VET	Vocational Education and Training

1 EXECUTIVE SUMMARY

International education is emerging from the perfect storm – the global economic downturn, a strong Australian dollar, student safety issues in 2009 that threatened our reputation and changes to the arrangements linking education and visas. NSW's export earnings from education fell by over \$900 million in 2010 - 11.

Alongside these domestic pressures we are facing significant global challenges. The market for international students is increasingly competitive, with many countries, especially the USA and Canada, stepping up their international recruitment efforts. India, China and other source countries are increasing their domestic education capacity with more students choosing to study in their own country.

Despite these challenges, the opportunities for growth are enormous. Global demand for international higher education is forecast to grow from 2.2 million in 2005 to 3.7 million in 2025 with China, India, Malaysia and Indonesia predicted to account for over 60% of the growth.

It was in this context of declining student numbers and a huge opportunity for growth, that the NSW Government established the International Education and Research Taskforce. The ten year Plan looks beyond international education as an industry and beyond students as an income. International education is about a two-way flow of people, culture, skills and values and the Plan takes a broad view of the benefits to NSW of a strong sector. It looks beyond 'bums on seats' student recruitment to comprehensive, resilient internationalisation strategies, including online and offshore delivery.

The Plan spans higher education, Vocational Education and Training (VET), English Language Intensive Courses for Overseas Students (ELICOS) and schools, and considers international research as well as education. The Taskforce, through broad consultation, had the opportunity to hear from students and industry where government could make a difference:

- **Quality of teaching, courses and research** - These are the foundations of the global reputation of our institutions. Vocational and higher education teaching quality is regulated at Federal level but the NSW Government needs to be a persistent and vocal advocate of education quality.
- **Quality of the total student experience** - We heard that affordable accommodation and transport, access to part time employment and industry placements while studying, and employment on completion of study are critical issues for students. The Plan supports transport concessions and recommends that industry and Government quickly find a solution. Safety, equity, social inclusion – these are compelling arguments in support of transport concessions. The Plan recommends that institutions sign up to a best practice charter of service developed in consultation with students. Measures such as these will help re-position NSW as a state that understands and responds to the needs of students. Our success in international markets will follow.
- **Coordinated promotion** of NSW's education and research strengths to international markets and a one-stop-shop for information. Students, parents, agents and education providers need access to reliable information about living and studying in NSW. We strongly recommend the development of a 'StudyNSW' website. We also recommend that NSW establishes a body, 'StudyNSW', to manage coordinated marketing and policy development
- **StudyNSW** will drive the implementation of a range of other recommendations, working closely with students and education providers and engaging with regional providers to promote their strengths and address their issues. It will lobby the Commonwealth on issues such as quality, migration, post study work rights and levels of research funding. StudyNSW will also build partnerships across education, government and business to celebrate the contribution that international education makes to our community.

The International Education and Research Plan identifies actions that government and industry can take to address the challenges, leverage competitive strengths and deliver maximum benefit to NSW as a global player in the Asian century. The Taskforce encourages the Government to embrace the recommendations that position NSW as a quality education destination and to ensure that our State is not left behind in a fiercely competitive global market.

2 INDUSTRY VISION

International Education and Research Industry Vision

By 2021:

1. NSW delivers cutting edge, industry-relevant education that launches domestic and international students into careers of choice;
2. NSW education is regarded in our key markets as one of the best life and career decisions for international students; and
3. NSW universities and the research sector are linked into leading global industry and research networks to develop world class talent and bring world class research findings and capabilities to bear on social, economic and environmental challenges.

This vision acknowledges NSW's strengths in the international education and research sector and indicates a holistic approach to international education, identifying that students are increasingly seeking a high quality education, cultural and employment experience.

Communicating this as a clear vision for our international education and research sector over the next ten years is important to raise the profile of:

- our international education providers;
- our unique cultural and social experience;
- our post-study opportunities; and
- to provide the basis for messaging for sector position and promotion.

The Terms of Reference (Appendix B) for the Taskforce require it to take a long term view. In April 2012, the European Institute for Security Studies released a report "Global Trends 2030", which included some very significant statistics. Between 2009 and 2030 the global middle class will grow from 1.8 billion to 4.9 billion. The main growth will be in China and India. The new middle class will want their children to attain higher levels of education, so in the future the world will potentially have many more international students.

The potential for long term growth in the sector is massive, so action to improve NSW's competitive position could pay significant dividends.

3 INDUSTRY ACTION PLAN SCOPE

The International Education and Research Industry Action Plan is focused on the following:

- **Increasing education exports:** focussing on increasing exports from the higher education, Vocational Education and Training, English Language Courses for Overseas Students (ELICOS), secondary schools and associated services sector, including both public and private providers. Priorities will include high quality standards of education delivery to international students, increasing the physical presence of education providers in NSW and international promotion of the NSW education industry.
- **Developing and enhancing international education, research and industry precincts:** focusing on further establishing Sydney as an international university city and attracting international partners to invest and locate in NSW education and research precincts. It will include the establishment of institutional research and collaboration partnerships, including with industry.
- **Increasing innovation in education delivery:** focusing on mechanisms for digital and online delivery of education across NSW and internationally. This strategy will be developed in line with the Digital Economy Industry Action Plan and through linkage with national and international education programs.

This International Education and Research Industry Action Plan has been developed by the International Education and Research Taskforce, with the Department of Trade and Investment and the Department of Education and Communities as ex-officio members. The recommendations represent an industry, not a Government, perspective. The NSW Government will consider the Industry Action Plan and develop its response for release in late 2012.

For a full list of Taskforce members, see Appendix B.

4 FUTURE TRENDS AND ONLINE EDUCATION

The market for education is increasingly globalised and competitive, with new markets emerging and foreign governments and providers becoming more aggressive in their attraction activities. In understanding the global trends in education and their impact on the NSW education market, eight inter-connected themes have been identified:

- **Quality and capacity of Asian education providers:** Asian countries, a traditional source of international students in Australia, are improving the quality of their own education systems.
- **Demand for education in Asia/Middle East:** A growing middle class and demand for skilled labour will expand this market, where their local providers cannot meet the demand alone.
- **Online education:** Online and blended courses will become part of international education delivery of the future, offering more accessible courses at a lower cost to a broader market. The application of social media, gaming and immersive technologies in education could together emerge as disruptive innovations that change the shape of international education.
- **Transnational education:** To maximise opportunities in growth markets, education providers are likely to consider a range of delivery models, including setting up in the markets like China, India and Indonesia. Much of the growth is in the middle class which value high education but favour the lower cost option of studying in their home country. Despite risks associated with this strategy, the trend to transnational education is likely to strengthen over the next ten years.
- **Marketing and branding:** In an increasingly global and competitive market, institutions and countries are increasing their marketing focus.
- **Competition from the US, Canada and UK:** NSW faces increasing competition from these countries which have significantly increased their presence in Asia, renewing their efforts to attract international students.
- **Private providers:** The number of private education providers and their market share is growing.
- **Globalisation of research:** Higher education research is becoming increasingly globalised.

Given the inter-connectedness of these key trends, there are a number of response strategies that providers and government can develop including:

1. **Encourage out-bound student mobility:** This can help develop international relationships, links between institutions and the quality of education and research sectors. NSW institutions and government should review their current out-bound mobility activity and develop actions to encourage this movement.
2. **Develop successful institutional-level online strategies:** NSW institutions need to recognise that the resources required for online learning are different to a traditional campus-based experience, and show commitment to providing comprehensive support that can assist in developing appropriate, high quality resources.
3. **Coordinate marketing capability:** NSW should benchmark its current marketing activities against domestic and international competitors and, where necessary, improve and coordinate the State's marketing to international students.
4. **Give greater focus to research impact and research partnerships and collaborations:** NSW Government should review its educational institutions' current collaborations and partnerships and assess whether there is an opportunity to further leverage these at a State level.

For a more detailed account of the future trends and the response strategies see Appendix F.

5 RECOMMENDATIONS

5.1 IMMEDIATE PRIORITIES (2012-13)

Recommendations	Rationale	Actions
1. Profile and Promote NSW Position as an International Education and Research Destination		
1.1 Establish StudyNSW	<p>The State’s educational offerings should be more visible. The attractiveness of studying in NSW should be promoted to improve the long term viability of the sector.</p> <p>Within government, there is a lack of coordination and duplication of effort. Activities are undertaken across various agencies without any mechanism for coordination. This has created uncertainty among education providers and international students about who to speak to about issues. It also diminishes international brand recognition.</p>	<p>NSW Government to establish a statutory agency, StudyNSW to:</p> <ul style="list-style-type: none"> • promote whole-of-state branding for NSW international education subsectors; • coordinate whole-of-government policy and facilitate industry development, investment attraction and export; and • enhance the student experience by working with education providers to address welfare, accommodation and safety issues and support opportunities for increased engagement through work and volunteering. <p>See Appendix A for proposed structure of StudyNSW.</p>
1.2 Create a “StudyNSW” website for marketing and promotion	<p>A consolidated website should be developed to promote the opportunity to study in NSW. This has the potential to increase exports and enhance the experience for international students.</p> <p>The site would market public and private higher education, Vocational Education and Training (VET), English Language Intensive Courses for Overseas Students (ELICOS) and schools sub-sectors and provide information on, for example, safety, culture, tourism, student accommodation, work rights and visas. The website would also provide unified branding that education providers could use to leverage their own marketing and promotion.</p>	<p>Develop a “StudyNSW” website:</p> <ul style="list-style-type: none"> • build an integrated website that markets the NSW international education sector under a single brand, “StudyNSW”; and • develop marketing messages that promote the quality of education, quality of life and multicultural aspects of studying in NSW.

Recommendations	Rationale	Actions
2. Improve the international student experience in NSW		
2.1 Consider options for introducing student transport concessions	<p>Student transport concessions should be extended to international students to address equity and student welfare issues.</p> <p>International students face increased student welfare and safety issues and tend to live further away from their place of study. In some cases they have trouble accessing public transport. To reduce costs, many international students walk between their education provider and their home, often at night or in adverse weather conditions.</p>	2.1 NSW Government to consider options for introducing student transport concessions.
2.2 Establish a best practice charter of service for international education providers	A best practice charter of service for international providers could be used to signify that they meet the standards outlined in the charter. This would provide an indicator of service quality to international students. The charter could include, for example, international student rights and responsibilities, service levels and rights of appeal. This charter would use as its basis a best practice guide for education providers.	2.2 Education providers, industry and student associations, including the Council for International Students Australia (CISA) to develop a best practice charter of service by June 2013: <ul style="list-style-type: none"> it is intended that the charter would complement the requirements on providers as set out in the Education Services for Overseas Students (ESOS) Framework and will not duplicate current mandated requirements.
2.3 Establish a NSW Premier's award for excellence in International Student Community Engagement	An award for excellence would promote and boost innovative and novel programs/events that assist in international student engagement with the local community and vice versa.	2.3 StudyNSW, in partnership with others such as UA, CISA, ISANA, IEAA, EA, ACPET, AEI ¹¹ establish a Premier's Award that recognises excellence in international student community engagement by providers/students.

¹ See Page 4 – List of abbreviations

Recommendations	Rationale	Actions
<p>2.4 Improve stakeholder engagement with the NSW Government</p>	<p>Engagement with the NSW Government has been raised as a key issue by both international students and other stakeholders such as education providers. Improved stakeholder engagement would allow better communication and input to policy development to address issues in the sector.</p>	<p>2.4.1 Establish an annual International Student Stakeholder Forum for government, industry and international students:</p> <ul style="list-style-type: none"> • first forum in mid-2013. <p>2.4.2 Enhance industry advice to Government:</p> <ul style="list-style-type: none"> • establish an international education advisory body to provide high level strategic advice to the NSW Government (through the proposed StudyNSW in recommendation 1.A.1.) in relation to international education. Representation would be drawn from industry providers, government and international students.
<p>2.5 Establish an international student welcome desk at Sydney Airport</p>	<p>A welcome desk at Sydney Airport in peak international student travel periods (i.e. January/February, June/July) would provide information, advice and support to international students when they arrive in Sydney and be a first contact point. Current international/domestic students could volunteer to support the desk during peak times. City of Sydney has indicated interest in this concept.</p>	<p>2.5 StudyNSW to coordinate an international student welcome service at Sydney Airport that complements activities already offered by educational providers. A desk could be set up during peak periods with student volunteers or touchscreen alternatives throughout the year. Institutions would need to be registered to access this service.</p>

Recommendations	Rationale	Actions
<p>2.6 Industry to adopt best practice guidelines and consistent industry standards for homestay international student accommodation</p>	<p>Many international students and their parents are confused by agents, marketing material and information from providers because of different interpretations of “appropriate care and welfare”. Standards of accommodation and care across the sector vary significantly.</p>	<p>2.6 Industry to further develop and adopt best practice guidelines and consistent standards for homestay student accommodation by June 2013. The minimum standard may include:</p> <ul style="list-style-type: none"> • a professional approach to ensuring that there is appropriate and compulsory (guaranteed) insurance cover for hosts and students in line with Industry expectations; • documented and guaranteed training for host families and supporting data to demonstrate the training has taken place; • a documented agreement to be signed by all host families outlining the host and student’s obligations and rights; • a documented and comprehensive approach to student orientation; • a student policy which guides student expectations and outlines responsibilities of the host family and homestay provider; • a 24/7 emergency and critical incident phone support strategy which meets an acceptable and professional standard; and • an ongoing strategy for the management and accountability of all payments made on behalf of the student to the homestay host. <p>The impact of the above voluntary standard should be monitored and consideration given to introducing mandated industry standards if the voluntary standard is ineffective.</p>

Recommendations	Rationale	Actions
<p>2.7 Improve education, industry placement and employment pathways and opportunities</p>	<p>Employment opportunities and conditions are a key part of the international student experience.</p>	<p>2.7.1 ‘Employ an international student’ campaign:</p> <ul style="list-style-type: none"> • in partnership with education providers, industry peak bodies, student organisations and key employers, StudyNSW to develop a campaign promoting the benefits of employing international students. <p>2.7.2 NSW friendly employer program:</p> <ul style="list-style-type: none"> • in partnership with StudyNSW, industry should implement “NSW Friendly Employer Program” to develop a preferred employers’ guide for international students seeking work. Provide, for example information on: <ul style="list-style-type: none"> ○ employment conditions and safeguards against unfair work practices; and ○ contact details for government helplines including Australian Government’s Fair Work Australia helpline and the NSW Government’s Industrial Relations helpline. <p>2.7.3 Promote NSW public service internships to education providers and international students.</p> <p>2.7.4 Identify and address barriers to educational pathways for international students.</p> <p>Remove barriers to rural placements for international students:</p> <ul style="list-style-type: none"> • NSW Government to advocate to the Australian Government to develop strategies to remove barriers and support international students undertaking placements in regional and rural NSW.

Recommendations	Rationale	Actions
<p>2.7 Improve education, industry placement and employment pathways and opportunities</p>	<p>The post-secondary educational experience could be enhanced by making it easier for international students to undertake industry experience placements. Currently international students face difficulty in participating in industry placement programs due to their visa status.</p> <p>International students also face difficulties when undertaking regional placements e.g. they are often required to accept six month leases on regional accommodation when their placement may only be for three months.</p> <p>Financial assistance and course flexibility for international students undertaking rural/regional placements would provide a competitive advantage to regional NSW education providers and promote regional NSW as a viable destination for international students.</p> <p>There is also an opportunity to provide an incentive to attract high performing international students by extending their student visa and post-study work rights.</p>	<p>2.7.5 Increase industry experience placements for international students:</p> <ul style="list-style-type: none"> • NSW Government to advocate to the Australian Government to consider amendments to the student visa to facilitate international students' access to formal industry experience placements where it is a course requirement or option. <p>2.7.6 Support post-study work rights for international students at a broader range of high quality, low risk education providers:</p> <ul style="list-style-type: none"> • NSW Government to continue working with the Victorian Government to engage the Australian Government to extend post-study work rights for international students at a broader range of high quality, low risk education providers, including VET providers. <p>2.7.7 Consider student visa extension programs targeting high achieving international students:</p> <ul style="list-style-type: none"> • NSW Government to work with the Victorian Government to engage the Australian Government and Council of Australian governments (COAG) to implement visa and post-study work right extensions targeting high achieving international students. <p>2.7.8 Leverage high level relationships with large corporates and government to develop employment opportunities for students returning to their home countries. Many students want to return home after studies and this will provide a point of difference for NSW.</p>

5.2 MEDIUM TERM ACTIONS (1 JULY 2013 – 30 JUNE 2017)

Recommendations	Rationale	Actions
3. Improve the international student experience in NSW		
3.1 Implement an international student accommodation education campaign	When international students arrive in NSW, they may be unfamiliar with the safety, health and minimum accommodation standards required in student accommodation in the State. A student accommodation education program with emphasis on fire safety, health and safety and minimum accommodation standards will help to inform international students to help them make a better choice.	3.1 Education providers work with StudyNSW to develop an awareness campaign for international students providing advice and information on obtaining student accommodation.
3.2 Increase international student engagement in community events	International student engagement with the community facilitates understanding of different cultural traditions and norms and provides a sense of community inclusion and participation for international students.	3.2.1 Investigate establishing a Premier’s welcome event for international students. 3.2.2 StudyNSW and education providers to partner with councils, business and peak bodies to promote community engagement events.
3.3 Enhance international student support by the education provider	Support for international students is key to improving their experience while in NSW. The quality of support currently provided is variable. Some international students lack confidence when studying in a foreign country. Leadership courses offered to them during their studies could develop skills and enhance confidence. This would also add to an education provider’s offering.	3.3.1 StudyNSW to consult Federal Government, students and industry to identify best practice student support programs and develop strategies for raising standards of support where providers under-perform. This will not duplicate the Federal Government’s regulatory role. 3.3.2 Enhance international student leadership skills: <ul style="list-style-type: none"> education providers should be strongly encouraged by StudyNSW to offer leadership development courses, online or face to face. For example, International Student Leadership Program (ISLP), delivered by Professional International Education Resources in partnership with CISA, is a free, online leadership skills course.

Recommendations	Rationale	Actions
<p>3.4 Enhance and promote international student welfare services</p>	<p>Being in a different country with unfamiliar systems, processes and rules means that international students can often have trouble accessing student welfare services:</p> <ul style="list-style-type: none"> • the Knight review raises strong concerns about the welfare of minor students. The review recommends increased monitoring of student guardian visa conditions; • Independent Schools Victoria recommends outsourcing welfare arrangements so that the student has an “outside” or objective person to talk with should they want to confide in someone about school issues. The school itself becomes too close to the issues thus denying adequate access for the student to find an objective voice; and • a homestay host is not an independent guardian. Host and guardian roles should be separated to ensure the student has access to independent representation. 	<p>3.4.1.Undertake a survey of international student support services:</p> <ul style="list-style-type: none"> • while acknowledging that most education providers have strong services in place, a survey would identify gaps in services and provide an evidence base for StudyNSW and industry to work together to ensure consistently high standards of student support services. <p>3.4.2 Guardianship for under 18 year olds:</p> <ul style="list-style-type: none"> • StudyNSW to investigate mechanisms for strengthening protection of international students under 18 in NSW by ensuring they have access to a standards-based independent (of accommodation and education provider) welfare/caring/guardianship service. <p>3.4.3 Guardianship for over 18 year olds:</p> <ul style="list-style-type: none"> • StudyNSW to investigate the possibility of a low cost insurance type program providing an independent advocate program for all over 18 year old students for defined events. <p>3.4.4 Raise awareness of provider complaint mechanisms to international students:</p> <ul style="list-style-type: none"> • private education providers to provide information to international students on the Overseas Student Ombudsman; • public education providers to provide information to international students of their complaint handling process and rights of appeal and provide information and contact details of the NSW Ombudsman; and

Recommendations	Rationale	Actions
<p>3.4 Enhance and promote international student welfare services</p>		<ul style="list-style-type: none"> NSW Government to engage with the Federal Minister for Education, other State Ministers (including through the NSW/Victorian MOU) and COAG to develop guidelines for education providers supporting international students who are cut off from financial and other support due to political or conflict issues in their home country. An Australian international student crisis fund and a policy on deferred payment of fees could be investigated.
<p>3.5 Support minimum English language skills amongst international students to enhance confidence</p>	<p>It is estimated that 41% of all English language students use ELICOS as a pathway to other education sectors. Students who study English in Australia are more likely to continue their study or to seek employment here.</p> <p>Students currently have to meet minimum English language standards to enter courses. Mastery of English determines their integration into life in NSW and is strongly correlated with the quality of a student’s experience. However, international students with minimum English skills and/or in large cohorts from the one country, tend to socialise and study with others from their home country, reducing the opportunities to learn English.</p>	<p>3.5.1 NSW has 42% of the national ELICOS market. Providers of higher education and vocational training should capitalise on NSW's dominance in ELICOS by ensuring that pathway opportunities are maximised and that continued support is offered to improve English language skills throughout the period of study. This could include support for mastering vocabulary for particular subjects, buddy programs and volunteering programs. StudyNSW to explore best practice initiatives to enhance this work with NSW providers.</p> <p>3.5.2 StudyNSW to engage proactively with the ongoing work being undertaken by TEQSA and ASQA on ensuring that providers have effective strategies in place with regards to English language entry standards, language support throughout the duration of the course, and exit standards.</p>

Recommendations	Rationale	Actions
4. Develop effective engagement strategy with offshore education agents		
4.1 StudyNSW to develop an agent engagement strategy for NSW	Education agents are often the first point of contact for international students seeking information on studying overseas. Ensure high quality, reputable, informed agents are recruited.	<p>4.1.1 StudyNSW to develop an agent engagement strategy for NSW in consultation with the international education sector. The strategy will address quality assurance issues such as agent training, agent commissions, student welfare and compliance with existing regulations.</p> <p>4.1.2 The NSW Government to engage with the Federal Government to advocate, as required, for effective monitoring of provider/agent compliance with relevant regulations such as ESOS requirements.</p> <p>4.1.3 Establish an agent’s award that recognises high performing agents. The peer-voted LTM Star Award in the UK could be a model.</p> <p>4.1.4 NSW Government to establish an education agent awareness program that promotes awareness of the advantages of a NSW education to international students, the high quality public/private education providers, and other services to support international students.</p>

Recommendations	Rationale	Actions
5. Develop Flexible Delivery Models For Global Education markets		
5.1 Maximise NSW strengths to provide offshore delivery of qualifications and consultancies to meet global workforce needs	<p>Many NSW public and private education providers are world-class and recognised for their quality and innovation. There are opportunities for providers to export their expertise and products around the world. Markets such as China and India need to train their large student populations and NSW providers are well placed to assist both in the provision of educational products and in the training of educators in these countries.</p>	<p>5.1.1 Increase exports of NSW education provider products and intellectual capital:</p> <ul style="list-style-type: none"> • Identify barriers to export by public/private education providers and develop solutions to overcome these; • Promote sector capability through the NSW Government’s international office network; and • StudyNSW to work with industry to identify opportunities in growth markets for transnational/joint venture market entry strategies. <p>5.1.2 Industry bodies:</p> <ul style="list-style-type: none"> • run networking opportunities, workshops and seminars; • integrate short-term professional development options into international education sector marketing and promotions strategy; and • education providers to promote short-term courses through their marketing and promotion channels.
5.2 Strengthen NSW capabilities and global delivery of online education		<p>5.2.1 In 2013, the United States Study Centre at the University of Sydney will conduct research on the impact of online delivery of education in international markets and global strategies for NSW education providers.</p> <p>5.2.2 NSW and Victoria to lobby the Federal Government to allocate Flexible Learning Advisory Framework funding to support global online delivery.</p>

Recommendations	Rationale	Actions
6. Build and Promote International Research Strengths and Collaboration		
6.1 Enhance the NSW research profile	<p>NSW's R&D strengths, collaboration and co-location have demonstrated great impact . There should be clearer communication of this success so that the community understands these strengths of the research sector.</p>	<p>6.1.1 Develop and implement a NSW research communications strategy.</p> <p>NSW Chief Scientist and Engineer:</p> <ul style="list-style-type: none"> • continue to promote the State's research strengths and capabilities to support the development of new ideas and projects in industries both in Australia and overseas; • develop a high-impact website which showcases NSW's research and technology capabilities; • collect and collate information from NSW research organisations showing major research outputs, impacts, capabilities, expertise and track record to include in the communications Strategy; and • chief technology officers, chief scientists and relevant senior experts in major corporations should be identified and invited to visit a range of centres of potential interest in NSW. <p>6.1.2 The NSW Government and regional universities to attract higher degree international research students to regional NSW by:</p> <ul style="list-style-type: none"> • working together to promote research-intense precincts that exist in our major regional centres. <p>6.1.3 Attract research symposia to regional NSW:</p> <ul style="list-style-type: none"> • Business Events Sydney to work with regional research organisations to develop a strategy to attract research symposia to NSW.

Recommendations	Rationale	Actions
<p>6.2 Continue to grow NSW research and innovation</p>	<p>The State's research capacity and knowledge sectors drive innovation which delivers productivity growth for NSW.</p> <p>Industry, the community and government often need access to emerging research knowledge and expertise, but in some cases this is not adequately developed.</p>	<p>6.2.1 Open science and open innovation.</p> <p>NSW Chief Scientist and Engineer:</p> <ul style="list-style-type: none"> continue to encourage more mechanisms to enable open science and open innovation initiatives and to promote the growing capabilities of the State in these and related areas. <p>6.2.2 Support philanthropic funding for research projects:</p> <ul style="list-style-type: none"> the NSW Government should consider matching, on a long term basis, major philanthropic grants for research purposes, provided a range of conditions are met, including seeking funding contributions from the Federal Government. <p>6.2.3 Build growth in research capabilities.</p> <p>NSW Chief Scientist and Engineer:</p> <ul style="list-style-type: none"> support the development of research capabilities in areas where NSW has a social or economic need, for example: research to support the coal industry including coal chemistry, coal seam gas, sequestration, processing and efficient combustion, and the impact on water and aquifers; and research into economies in transition, including regional economies and communities needing to address a changed industry landscape. Research into food and water security. <p>6.2.4 Improve research/industry collaboration.</p> <p>NSW Chief Scientist and Engineer:</p> <ul style="list-style-type: none"> The NSW Chief Scientist and Engineer to continue hosting industry/research collaboration workshops

Recommendations	Rationale	Actions
7. Remove Barriers To Business		
7.1 Improve access to and quality of student accommodation	NSW is experiencing a shortage of quality student accommodation, especially within Sydney, increasing issues around international student welfare. To access suitable, affordable accommodation, international students often have to live some distance from their place of study or in unsuitable and unsafe accommodation.	<p>Improve planning and reduce complexity for the development of student accommodation in the planning system.</p> <p>When student accommodation providers lodge development applications with councils, student accommodation is termed a boarding house. This promotes a negative perception of student accommodation. The Government should work with councils to promote the benefits student accommodation brings to social cohesion and economic development in local government areas:</p> <ul style="list-style-type: none"> input into NSW Planning System Review regarding improved planning and removal of complexity for the development of student accommodation. <p>Enact legislation to give councils and the NSW Government more power to fine and close overcrowded student accommodation:</p> <ul style="list-style-type: none"> investigate and consider enacting legislation that gives councils the ability to fine and close overcrowded student accommodation.

5.3 LONG TERM ACTIONS (TO 30 JUNE 2022)

Recommendations	Rationale	Actions
8. Establish a Centre of Excellence in International Education Research by 2021		
8.1 Establish a centre of excellence in international education research by 2021	<p>A centre of excellence in international education research would build on NSW’s reputation as a world leader in this field. The centre would provide support to the sector by attracting global talent, promoting best practice and developing world leading policy advice.</p> <p>The centre would:</p> <ul style="list-style-type: none"> • undertake data analysis of the sector; and • be a think tank, developing policy and best practice guidelines. 	<ul style="list-style-type: none"> • identify education data gaps with input from stakeholders; • seek input from education providers on the scope of the proposed centre; • scope the establishment of a centre of excellence for approval by NSW Government by 2021; and • develop foresighting capacity to keep education providers ahead of the curve as the global industry develops new delivery models.

6 MONITORING

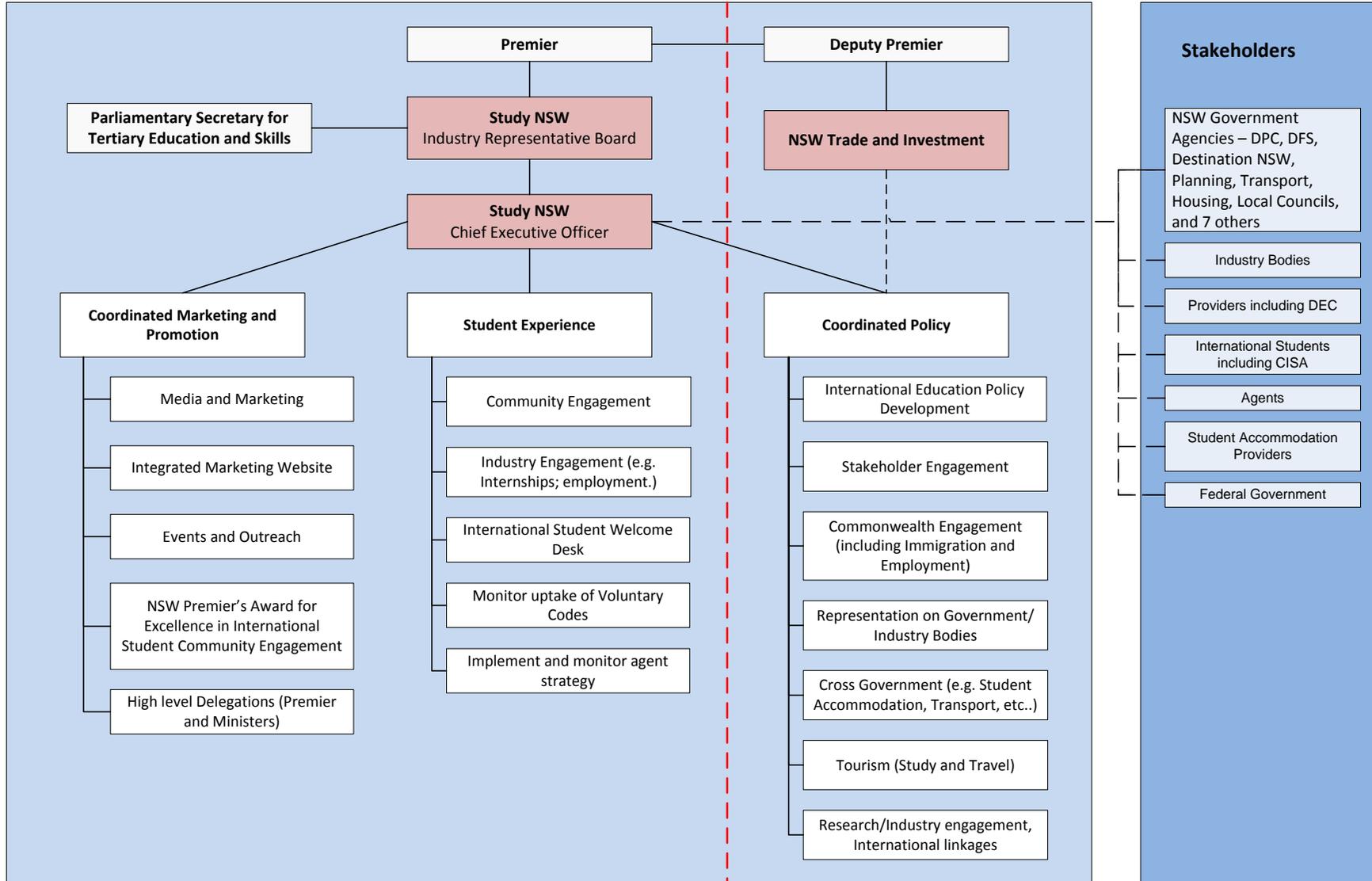
Progress on the implementation of the International Education and Research Industry Action Plan will be monitored through business plans and Key Performance Indicators developed by StudyNSW.

StudyNSW will report annually on the value of education-related exports for NSW compared with the rest of Australia.

Progress on all Industry Action Plans will be reported to the NSW Innovation and Productivity Council. One Council meeting each year will review progress on the Plans. A representative from the StudyNSW Advisory Board would attend the Innovation and Productivity Council meeting to report on progress of the Plan.

The NSW Innovation and Productivity Council will report to Government and industry annually on implementation of the Plans.

7 APPENDIX A – PROPOSED STUDYNSW STRUCTURE



StudyNSW would be structured as a Statutory Agency with a representative board and would require an Act to establish and operate under this model.

8 APPENDIX B – TERMS OF REFERENCE AND TASKFORCE MEMBERSHIP

TERMS OF REFERENCE

By September, the Industry Taskforce will submit to the Deputy Premier and Minister for Education an Industry Action Plan that:

1. Outlines a vision and 10 year development strategy for the industry, including 2 year and 5 year goals.
2. Articulates a way forward to achieve the vision, including priority issues to be addressed (including, but not limited to: skills, regulations and regulatory barriers at all levels of government, innovation and productivity, R&D, infrastructure and policy reform).
3. Proposes ways to build stakeholder engagement and commitment in delivering long-term industry development needs.
4. Identifies drivers for and barriers to growth and innovation in the industry (including those caused by Government practices, as well as identifying specific issues facing regional businesses and SMEs).
5. Identifies and validates the key domestic, Asia-Pacific and global trends, opportunities and challenges for the industry's development.
6. Identifies opportunities for rural and regional Australia and small business to engage in, and take advantage of the opportunities arising from the International Education and Research industries.
7. Develops detailed recommendations to be undertaken by industry, industry associations, education and research institutions and Government to encourage sector competitiveness, enhance productivity and innovation, improve export performance and, where required, facilitate structural adjustment (including rationale of the strategies and actions proposed).
8. Identifies key performance indicators, progress and outcome metrics, clear benchmarks and timeframes for major initiatives to be included in the Industry Action Plan.
9. Clearly identifies roles and responsibilities for the delivery of the Industry Action Plan's recommendations and oversees and reports on the progress of its implementation.

TASKFORCE MEMBERSHIP

- Philip Clark AM (Chair), a member of the JP Morgan Advisory Council
- Sue Blundell, Executive Director of English Australia
- David Bycroft, Executive Chairman of the Australian Homestay Network
- Michael Carr, Deputy Executive Director, Association of Independent Schools NSW
- Mark Coggins, the CEO of Kaplan Asia Pacific
- Claire Field, CEO of the Australian Council of Private Education and Training
- Margaret Jack, China expert and Executive Director of Kinox Ltd
- Warren Jacobson, Managing Director of Career Education at Study Group Australia Pty Ltd
- Andrew Leary, CEO of the Redhill Education group
- Mark Lucas, Managing Director of iae GLOBAL Ltd
- Professor Caroline McMillen, Vice-Chancellor, University of Newcastle
- Dipen Rughani, President of the Australia India Business Council NSW
- Professor Gerard Sutton AO, former Vice-Chancellor of the University of Wollongong
- NSW Chief Scientist and Engineer Professor Mary O'Kane

Ex-Officio Members

- Kerry Doyle, Executive Director, Innovation and Industry Policy, NSW Trade and Investment
- Pam Christie, Deputy Director General, Department of Education and Communities (DEC)
- Mark Howland, AVChief Executive Officer, DEC International

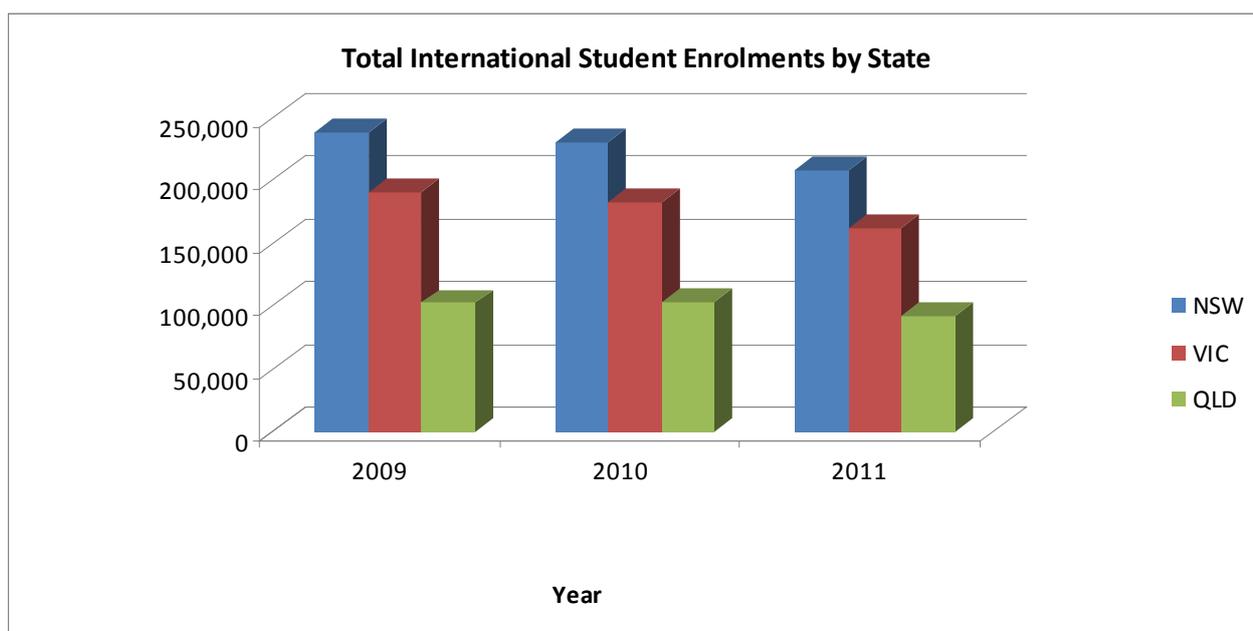
9 APPENDIX C - INDUSTRY POSITION AND OUTLOOK

International education is a key industry for NSW and is the State's second largest export earner, generating over \$5.8 billion in exports in 2010-11. The State's international education sector is also the largest in Australia having 208,847 international student enrolments or 37.3% of the national share in 2011.

In 2011, NSW's four main international education sectors include²:

- Higher education (40.3%) dominated by public sector universities
- Vocational education and training (VET) (32.9%), with the majority of VET students enrolled at private providers
- English language intensive courses for overseas students (ELICOS) (19%), with the majority studying with private providers (these courses often act as a pathway into VET and/or higher education), and
- Schools (2.8%), with roughly even distribution of international students studying at public/private providers.

International student enrolments in NSW grew over the past decade to a peak of 237,787 students in 2009. However, numbers and market share have since declined (as shown in the graph below). Export income earnings in 2010-11 also fell by over \$900 million compared with the previous year. While in line with national trends, NSW's market share has fluctuated as a result of increased competition from other States and Territories which are becoming more aggressive in attracting international students.



Source: Australian Education International

In the decade to 2009, both the VET and ELICOS sectors experienced strong growth in international student numbers, before declining in 2010 and 2011. VET is dominated by private providers, with over 93.5% of VET international students enrolling with a private provider. Public VET is provided by TAFE NSW, which is part of the Department of Education and Communities. Within the overall VET sector, the NSW Department of Education and Communities has two distinct, and separate roles, one as an education provider and the other as a NSW Government agency.

² Based on 2011 data – Australian Education International

VET experienced some of the fastest growth, some of which was driven by students seeking an easier route to Australian permanent residency. However, recent changes in the international education landscape, such as the strengthening of the Federal Government's Education Services for Overseas Students (ESOS) Act 2000 and the transfer of the regulation of higher education and VET providers from the States to the Federal Government, are enhancing the quality of the two sectors.

The ELICOS sub-sector has been in decline since 2010, and there has been a shift in the types of visas used for study. Students studying under shorter term working holiday or visitor visas have increased and those studying under long term visas have decreased.

In the decade to 2010, the NSW higher education sub-sector continued to grow its enrolments of international students, albeit at a slower rate than the VET and ELICOS sectors. Higher education is the largest of the NSW international education sectors and attracts a large number of international students from China.

Some of the key issues impacting on both the NSW and Australian international education sector include:

- the increasing value of the Australian dollar
- safety and security concerns
- increased competition from other jurisdictions, including the United States, the United Kingdom, Canada and Singapore
- changes to student visa requirements
- changes to the General Skilled Migration Program, and
- perceptions about quality and reputation.

With the increasing value of the Australian dollar, international education offerings from the United States and the United Kingdom have become more attractive due to their price relative to Australian institutions and perceived lower costs of living. Increased competition from jurisdictions such as the United States and the United Kingdom pose both a challenge and an opportunity for the NSW international education industry and a major concern to providers. The challenge of attracting international students with a high Australian dollar is especially difficult; however, there is also opportunity to explore innovative new business models and options to attract students. While many of these issues are beyond the control of the NSW Government and industry, they are likely to remain a high priority over coming years.

Additionally, online education is seen as a game changer within the industry and the introduction of the National Broadband Network is a key technology to drive this change. Already, top institutions in the United States such as MIT are putting their education content online in a bid to attract international students. It can be argued that no provider has yet developed an optimal model, but those now experimenting are likely to gain first mover advantage.

The attraction of studying in another country and the opportunity to interact with another culture are likely to continue as key drivers for international students. However, online education will open possibilities for those students who want to receive a world-class education, but may not be able to afford to travel and study in another country. Online education enables access to new, previously untapped markets and makes education truly global.

Consultations with international students revealed that they see international education as a personal experience, rather than in terms of trade statistics. Industry analysis published by NSW should be sensitive to that point of view.

Research

Research and development (R&D) is undertaken across the NSW economy, with the business sector having the greatest level of investment, followed by the higher education sector. In the most recent available data for gross expenditure on R&D (GERD) (for 2008-09 published in October 2010), the NSW business community accounted for 63% of the total GERD for NSW.¹³

¹³ ABS, 8112.0 Research and Experimental Development, All Sector Summary, Australia, 2008-09

Gross expenditure on R&D, by sector-by location, 2008-09

JURISDICTION	BUSINESS	GOVERNMENT			HIGHER EDUCATION	PRIVATE NON-PROFIT	TOTAL
		Federal	State/territory	Total			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
New South Wales	5,204,198	469,506	310,897	780,403	2,015,432	259,287	8,259,320
Victoria	4,121,902	554,501	256,856	811,357	1,774,909	402,305	7,110,473
Queensland	2,323,031	192,762	288,010	480,771	1,061,473	22,218	3,887,494
Western Australia	3,616,593	136,649	137,955	274,605	662,123	42,595	4,595,916
Australian total	16,858,477	2,251,941	1,168,527	3,420,468	6,717,113	743,907	27,739,965

Source: ABS, 8112.0 Research and Experimental Development, All Sector Summary, Australia, 2008-09

More recent business expenditure on research and development (BERD) data published in 2011⁴, showed that the NSW business community was increasing its R&D activities, with NSW being the only state to record a growth in BERD, increasing to \$6.2 billion and accounting for approximately 37% of the \$16.7 billion national total BERD (the Northern Territory also recorded an increase).

Industry sectors with a particularly high concentration of expenditure on R&D in NSW (based on percentage of BERD in NSW compared with the national total), include:

- financial and insurance services (77.8%)
- information media and telecommunications (50.9%), and
- administrative and support services (47.4%).

In the public sector, especially through its universities, NSW has particular strengths in research in engineering, physical sciences and ICT. It also has strengths in health and medical research fields and biotechnology, metrology and characterisation fields, nanotechnology and materials science, social sciences and humanities. Public sector research is undertaken in the state's universities, State Government research laboratories, and Commonwealth Government facilities such as CSIRO and the Australian Nuclear Science and Technology Organisation (ANSTO).

Sydney, Newcastle and Wollongong together have a high concentration of research facilities that are available for public and private sector researchers in fields such as energy, microscopy, nanofabrication, imaging and modelling, biotechnology, geosciences, and marine sciences.

The research consortia drawn together through past and currently funded Australian Research Council Centres of Excellence (ARC COE) have been particularly successful in drawing together local and international industry and public sector researchers to address complex research areas. NSW has been particularly successful in the prestigious ARC COE program with eight of the 13 centres announced in the most recent funding round being led by NSW universities in fields such as ageing, astronomy, climate systems, cognition, geology and geotechnical engineering, photonics and quantum computing.

⁴ ABS, 8104.0 Research and Experimental Development, Business, Australia, 2009-10

10 APPENDIX D – OUTCOMES OF INDUSTRY CONSULTATIONS

As part of the IER IAP consultation process, four targeted public consultations were conducted in March 2012, which included international students, metropolitan and regional NSW international education providers (public and private), government stakeholders and agents. The consultations identified a range of needs including:

- better NSW Government coordination around international education
- increased data, research and policy development
- enhanced student experience, infrastructure and community engagement
- international student attraction activities
- enhanced and consistent quality
- online technology and transnational education
- education agents, and
- research.

Coordinated NSW Government international education agency/body

- Currently there is no integrated NSW Government agency where international students, industry and education providers can access information about studying in NSW and international education or speak to about issues around international education. There is also a lack of policy coordination and decision making process to inform NSW Government international education policy.
- A proposed integrated and coordinated NSW Government agency would be responsible for:
 - policy development/contribution
 - statistics and analysis
 - marketing and communications
 - advocacy
 - international student crisis response (e.g. 2011-12 Libyan crisis, Syrian crisis,) and
 - management and operation of an integrated study in NSW website.
- An integrated agency could also act as the voice of the State Government for international students and the industry when lobbying the Federal Government.
- It is important to have a single agency to coordinate these activities. Education Adelaide is a good example.

Data and research

- Accurate data on international education industry is needed. Data is not captured correctly in some cases as definitions have fallen behind changes in visas and the current reality.
- What constitutes an international student should be better defined. A range of definitions are used by different organisations.
- By 2021, NSW should have a centre of excellence for international education research. The centre would collect, collate and analyse data from various sources and provide to government/industry either for free or at a cost, and act as a think tank, developing policy, policy analysis and best practice guides. It could be funded by Government and /or industry.
- A centre of excellence would allow NSW to become a leader in international education nationally and around the world.
- International student numbers provided by the Federal Government's Australian Education International (AEI) are using out-dated methods – VET numbers are inflated due to different visa classification issues and the inclusion of higher education courses classified as VET courses.

- The NSW Government should not be responsible for collecting international student data which belongs in the national domain – data should be provided by the Australian Bureau of Statistics (ABS) as it is a neutral third party without any interest in international student attraction.

Student experience, infrastructure and community engagement

Student safety

- International students and industry need better communication and interaction with the NSW Government. Each NSW Government department or agency that interacts with international students should consider ways to build the interactions and relationships. What can we do to break down barriers and help international students integrate? e.g. how can the NSW Police Force be more proactive and interact with international students when they first arrive in a positive way to increase community engagement?
- International education is very supplier focused, while the customers (international students) are often overlooked.

Student accommodation and infrastructure

- Provision of quality, safe student accommodation and student infrastructure is critical in building NSW's reputation as a destination that offers a great life experience for international students.
- Regional tertiary institutions need to build student accommodation to provide for the physical safety of their international students.
- The cost and quality of accommodation is arguably the single biggest issue in the international student experience.
- The high initial cost of securing accommodation before an international student's arrival (the fee for the first instalment of a lease together with bonds payable and, possibly, an agency finder's fee) represents a significant barrier.
- A package to improve the international student experience in NSW would be to provide international student transport concessions, and develop and build more student accommodation options.
- In many metropolitan and regional centres, there is a lack of affordable accommodation for international students. This is an Australia-wide problem, but it needs to be addressed state by state. Students find it easier to engage with the local community if they have suitable accommodation.
- The recent NSW Parliamentary Inquiry into Student Accommodation found the shortage of student accommodation in NSW was due to lack of physical accommodation infrastructure and inflexible planning regulations.
- Many universities provide accommodation and are expanding the stock. However, smaller NSW education providers do not have economies of scale to provide accommodation and students need to compete on the private rental market.
- Local Government should improve planning for different types of multi-user/shared accommodation and consider options for housing international and domestic students. Boarding houses have to comply with residential zoning but some underground operations house students illegally in poor and exploitative conditions.
- Accommodation for short-term stayers – such as those who come for short-term ELICOS courses - is a particular challenge. Rooms are available in share houses or as rentals but are difficult for visitors to access.
- Within the student homestay sector there have been troubling reports of negligence and abuse. For example, there have been instances of under-18 year olds being underfed. Regulation of student accommodation is one way to enforce minimum standards, improve conditions and protect students

Transport costs in NSW

- One of the key drivers for transport concessions is student safety. To save on transport costs, students may walk home at night, putting themselves at risk of opportunistic theft or assault.
- There is a strong view among international students that, as an equity/welfare issue their transport costs should be the same as those of domestic students (i.e. students who are citizens or permanent residents). Reducing transport costs for international students would make NSW relatively more attractive than Victoria as a student destination and bring NSW into line with other states that provide transport concessions.

Assistance and advice for students

- While universities and the higher-quality registered training organisations generally have international student centres that offer assistance, for many international students, it appears that the only help available if they encounter legal problems in Australia is their country's embassy.
- In Victoria, the State Government funds an international student service with a dedicated phone line and a drop-in centre in Melbourne. The Government also funds an international student legal clinic.
- Some TAFE Institutes and private providers do not have the resources to provide a high level of care for international students.
- International student resource centres should be established in metropolitan and in regional areas to provide services to international students.

Creating a better social and community experience for students

- NSW should establish an international student welcome desk at Sydney Airport. It should be low cost but create an immediate, welcoming impression. There is considerable dissatisfaction with the reception of students at Sydney Airport.
- Education providers should adapt to and provide for students from all backgrounds e.g. Muslim students have difficulty accessing prayer rooms at education facilities.
- The community needs to be open and welcoming to diverse cultures. While schools generally embrace initiatives such as Harmony Day, more could be done through the State-wide curriculum to develop a positive disposition towards cultural engagement, knowledge of other cultures, including of the Asia Pacific. For example, there have been programs where international students speak at high schools to counteract racism.
- In regional areas, public transport is restricted and community events are not well advertised, making it more difficult for international students to participate in community life.
- There are a number of examples of successful initiatives to enhance students' social experience:
 - Macquarie University has a buddy program, through which each student is appointed a buddy who organises their pickup from the airport, gives them hints and tips around campus and explains Australian culture and slang. Buddies are trained by the university, with one buddy looking after three or four students. The program is very popular and attracts more volunteers than needed. The university funds the program.
 - At the University of Sydney, faculties ask students, both domestic and international, to welcome and interact with international students. International students are often quieter than local students, and it can take time for them to settle and integrate into their new social environment.
- The Council of International Students of Australia (CISA) could provide input to a best practice guide to care for international students.
- Schooling costs should be waived for children of international students or at least be on par with resident schooling costs.

Crisis response

- Both the Federal and the State Governments need to have better responses to crises that impact international students (e.g. recent sanctions against Libya left Libyan international students studying in Australia with difficulty accessing family, information and funds”).

Community engagement

- There needs to be more community engagement with the international student community and increased international student representation among community, industry and government.
- There should be an ombudsman or guardian organisation that is a representative of international students within NSW. This person or body would represent all international students, similar in concept to the Telecommunications Ombudsman.
- NSW could adopt the Monash Council practice of having a university representative, student representative and local council representative on the Council. They meet monthly to discuss common issues.
- The City of Melbourne undertakes projects with international students which could be replicated in Sydney. The main project is the Melbourne Lord Mayor’s welcome, a free event which brings international students and local residents together. It is held in a prominent, easily accessed public space. By contrast, the NSW International Student Festival is expensive for stand holders, especially community organisations. It lacks vibrancy and does not attract the local community.
- Community engagement through sport, a great equaliser. Sporting organisations provide free tickets to international students to promote community engagement and the game. This is very popular with international students. They reported genuine connection with the crowd who were happy to explain the game etc.
- Give international students opportunities to join in volunteering activities. Develop a calendar to share with education providers and link event organisers with international student bodies e.g. international students participated in Clean Up Australia Day.

International student attraction

Marketing and promotion

- International students usually gather information on studying in Australia from websites, education fairs and through third-party education agents in market. The information from the websites, while useful, is often glamorised, and international students tend to speak face to face with education agents to try to get a better idea of the education provider and/or destination. Some students learn about Australia only through agents.
- NSW needs Statewide, not simply Sydney focused marketing and promotion.
- Case studies and good news stories about international student outcomes need to be developed. This would be beneficial in fostering increased community awareness and engagement, and also could be a marketing and promotion tool for potential international students.
- Media and other stakeholders should stop referring to international students as an industry. This is deeply offensive to international students and their families– they are not a trade revenue number.
- Throughout marketing and promotion activities and material, the social and cultural value of international students should be reinforced rather than the export value of international students.
- Connected to the proposed integrated NSW Government agency responsible for international education activities, a single integrated marketing and promotion website should be developed that would allow:
 - a single, unified brand identity for NSW as an international education destination of choice
 - study choices, including the ability to search for courses and education providers across the higher education, VET, ELICOS and schools sectors
 - living and working in NSW (e.g. transport information, communication, money matters, safety)
 - agent resources
 - contacts

- o social media and case studies.
- Consistent high-level messages from the Premier (and other relevant Ministers) about the student experience would give education providers another marketing tool and help to position NSW in global markets as a quality education destination.
- Rankings and ratings of education providers are important - international students often choose destinations based on rankings of education providers.
- Areas of expertise in education and research are also important. NSW needs to market these effectively overseas.
- Muslim students often choose Newcastle because of cultural sensitivity - providing prayer centres and Halal food etc. This approach works and could be applied more broadly.
- The research strengths and the teaching strengths of the NSW international education sector universities need to be more strongly promoted. The university sector could identify a constellation of complementary strengths. A government-to-government approach would help engage higher-level relationship building.

International student orientation

- There is a need to improve the international student orientation experience, pre- and post- arrival. Student orientation varies among education providers and agents.
- Some education providers and agents should give more consideration to cultural aspects in orientation. They could improve student orientation content and delivery techniques such as highlighting the most important aspects first e. g. accommodation, transport, groceries, etc, followed by important cultural information and how systems work in NSW and Australia.
- Universities generally do a good job of orientation. However, sometimes there is not enough information on practical concerns such as groceries, accommodation, washing facilities, banks, etc.
- Students experience information overload when they first arrive. Information should be provided by education providers over an extended period of time.
- The Melbourne Airport International Student Welcome Desk is a good idea as it gives students a person to talk to when they first arrive. The desk is staffed by local domestic or international student volunteers in the weeks before each new semester and student intake.
- The Victorian Department of Business and Innovation funds an international student information day, one or two months after orientation day. This event reiterates student orientation information and provides food and an interactive festival. It is funded by the Victorian Government, but the actual festival is organised and managed by an international student representative body.

Employment pathways and opportunities

- Promoting post-study student visa job opportunities in Australia could help attract international students to study in occupations where NSW faces skill shortages.
- International students and employers need to be informed on the rights and responsibilities of international students at work. International students are not fully aware of their rights, and there are instances of students being exploited. In addition, there is a perceived notion among employers that it costs more and is more complex to employ international students due to visa issues.
- There may be opportunities to develop short term professional education refresher courses to attract international white-collar professionals to study here.
- The NSW Government could develop a reporting mechanism for international students to report abuse of their work rights or to find more information. This could be integrated into the international student guardian or ombudsman role or referred through a one-stop shop to the Federal Ombudsman.
- The NSW Chamber of Commerce could work with industry/government to develop a “preferred employer” register for employers who are interested in employing international students. This could be used as a guide by international students when seeking work.

- Develop, with industry a number of pathways that international students could take to obtain post-study employment and market the pathways internationally.
- The NSW Government could provide concessions for employers to take on international students after graduation, such as payroll tax incentives.
- Work in Australia post-graduation is important. Opportunities to work in NSW make the State an attractive place to study.
- Payroll tax – straight economic transfer from Federal to State. Set aside some of that payroll cap to promote NSW so everyone benefits. Payroll tax figure – about \$5 million.

Quality

Charter of service for international education providers

- The international education sector, in collaboration with government and student bodies, could create an industry charter of service. This could be endorsed by international student peak bodies.

Importance of English language to quality

- A good experience of living, studying and working in NSW is the best marketing tool. An international student's level of English is the basis for the good experience – some students don't have the level required and slip through the system.
- Putting international students in international-student-only classes does not integrate them within the wider student community. For a number of reasons, they should be integrated into the main student body.
- About 40% of students studying English apply for on-shore visas to continue study. There are opportunities to support transition from ELICOS to higher education and for universities to further support English language training.

Product quality and perception

- Ways to increase education quality:
 - train highly skilled teachers and reward them appropriately
 - use new technology to enhance the learning experience and teach the teachers how to use it; and
 - improve the quality of the state education system – if it was world renowned it would attract more international students. This also influences domestic students.
- Quality is a perception – NSW should engage the International Student Barometer, a worldwide recognised tool that tracks decision making, expectations and intentions of international students from application to graduation and see if the quality of our product stacks up with the consumers of education. The barometer is a good indicator of student trends.
- Increased costs and the high exchange rate have raised the overall cost of education in Australia, while the perception of quality has fallen in students' minds. If the quality had increased then it is acceptable, but quality has decreased so students are questioning the value-for-money result.
- Australian authorities do not appreciate international students and the financial contribution they make. Very high costs, constraints on international students gaining practitioner experience, lack of employment opportunities, and difficulty in sourcing accommodation means Australia is becoming an increasingly unattractive destination for foreign students.
- Graduates who finish their study in NSW are also an important network to attract international students and develop global networks.
- Industry needs to police itself and regulators need to engage better with education providers – VET and higher education regulators have moved from being State based to being administered by the Federal Government.
- Government policies do not allow students to do rural placements easily. The Government restricts international students to a six month placement maximum (medical placement), while education providers

won't pay for accommodation for a six months placement. Also, this clashes with students' long-term accommodation commitments.

- Hands-on placement is critical for medical practitioners – if students cannot get experience then their education is useless. The Government is placing too many restrictions on international students' ability to do placements because of bias towards domestic Australian students.

Courses on offer

- Need to learn further what the customers want – what kind of courses do international students want to study here? Does it vary from country to country? e.g. China and India want business skills.
- The choice of our courses should be broadened and show there is more to offer than just business-related courses for international students. This could be an opportunity to showcase the State's strengths, including business and accounting, environmental management, mining, renewable energy, information communication and technology, creative and physical sciences.

Council for International Students Australia (CISA)

- CISA has developed the International Student Leadership Program (ISLP) which is an online leadership course that allows international students to develop their leadership abilities to enhance their confidence. A number of universities have signed up for it and students can access the information for life. The Federal Government, through the Australian Education International (AEI), has provided funding for ISLP.
- Over the past couple of years, AEI and CISA have held a three day roundtable to enhance communication between international students and the Federal Government.

Online technology and transnational education

Online education and the service delivery platform

- To be globally competitive, internet bandwidth and speed are vital – the National Broadband Network (NBN) will be key to improving that. There is also a need to have intuitive technology to drive online education from the teacher/student point of view. NBN is so important, it will be a game changer for Australian international education sector.
- There is an increased need to innovate in the international education space and utilise the technology and expertise we have developed within Australia.
- Need to highlight online technology product innovation and transnational education in policy development.
- A number of Chinese Government agencies do not recognise on-line degrees, despite these being provided by education institutions recognised by China.
- There is need to promote on-line delivery while maintaining enrolments in face-to-face deliver options.

Transnational education

- In the future, Australia's competitors will change from the United States, the United Kingdom and Canada to China, India and other Asian countries.
- Education providers should be looking at hybrid models – select United States higher education institutions are providing courses online as a trial to test the market.
- Singapore is emerging as a serious competitor in the international education sector. However, despite education provider resistance, transnational education gives the advantage of capturing international student market share that would otherwise not go to Australia due to cost or other factors.
- There are different transnational education provider models – the Singapore partnership model shares income between the education provider and the Government, while in Dubai the provider receives all the income. Transnational education is about education more broadly, developing a platform for mobility for both international students and domestic students.

- Singapore and Dubai were mentioned as potential transnational education target countries for NSW education providers. China is much more difficult as the regulation regime is difficult to navigate. India is opening up, but there are opportunities in other countries that are easier for NSW education providers to grasp.
- However, there are opposing views - transnational education is not the best for revenue, but generally good for raising a brand profile. Blended models that involve on shore activities in Australia are quite good – e.g. the first half of an undergraduate program is delivered in the international student's home in Shanghai with the second half delivered in Sydney.
- Virtual university campuses in selected countries would bypass currency fluctuations and expand their network. Victoria and Queensland are taking their international education industries overseas on trade missions. However, a word of caution, how much value is there in the trade mission?
- Trade needs to focus on relationship building, not only export earnings.
- There is merit in exporting NSW education provider intellectual property to other countries.
- Issue about competitive position – NSW needs to build relationships with international institutions. If it is only about money, then China and India surging ahead means eventually they will not need institutions in Australia. Need to work with partners to build relationships which may be difficult in the short run but will be essential in the long run.
- Smaller, regional education providers such as TAFE and universities could operate a “shared service hub” in global markets. While single providers cannot operate a single offshore campus alone, there is scope and a better appetite in the regional markets for cooperating with the NSW Government to established a “shared service hub” in new markets.

Reverse international student promotion

- NSW/Australia need to look at how we engage with Asia. We bring international students to NSW, but don't send any of our domestic students overseas – we don't have a student mobility program for domestic students to reciprocate the international student experience.
- The Australian students' experience will bring others to this country. Need to consider global citizenship.
- The Federal Government's Department of Education, Employment and Workplace Relations or education provider funding is the major mobility factor for domestic students going overseas to study.
- There needs to be more flexibility in course design. Take note of the United States, which is a global leader in mobility, allowing their students to undertake different parts of their courses in different countries. This is not only about education, but also the experience of living and studying in another country that provides additional benefits and understanding.
- There needs to be a renewal of the concepts under the original Colombo Plan. Propose a Waratah Plan that is the next generation of the Colombo Plan that has a two-way flow of international students – international students to Australia and Australian students going overseas.

Education agents

- Education providers rely on education agents to attract international students. The NSW Government and industry should develop an action plan to improve relations with education agents, acknowledge them and try to influence them.
- Education agent quality can vary incredibly. The best ones cut out Australian red tape and look after the student families back home. Focusing on the quality of agents e.g. by ranking agents, recognising and rewarding (not financially) the best ones would increase profile.
- An education agent quality and standard scheme could rank education agent providers.
- Parents of international students still want someone who speaks their language in terms of safety and quality. Education is about working with quality agents, especially in the context of ESOS Act.

Research

- Regional university research capacity is often overlooked, with too much focus on Sydney and the bigger universities such as the University of Sydney and the University of New South Wales.
- Food security – Australia is well positioned to lead this in the future. This is a major area that could be put forward more actively. Some universities are pushing forward with this. Need to document and have readily available promotional material.
- Higher degree international research students need to be attracted to regional NSW – there are research strengths that exist outside Sydney/Newcastle/Wollongong that have significant research competencies that are relevant to South East Asian markets (such as environmental management, agriculture and marine).
- The amount of funding for research in NSW is much lower than that available in Queensland and Victoria. General support from the Federal Government to leverage regional support for NSW is lacking.
- To further support research in the regions, the NSW Government could use its Science Leveraging Fund to leverage the Federal Government’s Collaborative Research Network.
- Regional strength in research capacity should be recognised. It is expensive for regional universities to attend events and symposia in Sydney - need to get people to visit regional universities.

11 APPENDIX E – LIST OF SUBMISSIONS

Written Submissions Received

- Australian Council for Private Education and Training (ACPET)
- Australian Homestay Network Pty Ltd
- Australian Information Industry Association (AIIA)
- Australian Institute for Mobility Overseas
- Auzzie Families
- Community Relations Commission
- Council of International Students Australia (CISA)
- D_CITY
- DEC International and TAFE NSW National Business, NSW Department of Education and Communities
- English Australia
- International Education Association of Australia (IEAA)
- ISA Guardian & Welfare Services
- Navitas Limited
- Oz Homestay
- Regional Development Australia (RDA)
- The Association of Professional Engineers Scientists and Managers, Australia (APESMA)
- Universities Australia
- University of Newcastle
- University of Sydney
- University of Technology Sydney

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INTRODUCTION

Project overview

The Department of Trade and Investment (the Department) is developing a New South Wales (NSW) 'International Education and Research Action Plan'. As part of the development of the discussion paper for this plan, the Department is interested in understanding the future trends in global education, including the impact of online education on NSW education providers. Specifically, the Department is seeking to understand:

- What are the future trends in global education over the next decade that are likely to significantly impact NSW education provision and delivery, and how can education providers position themselves to anticipate and respond to these trends?
- What international education programs and strategies are most effectively responding to global challenges and which could be adapted for introduction to NSW?
- Which markets are emerging as the next growth opportunities for NSW education providers? Which countries and regions? Are opportunities opening up in VET, university, work-based training, in-market (transnational education), online?
- What is the current and projected size of the online education sector globally and in Australia? What opportunities and risks are presented by online education, enabling digital technologies and fast broadband, and how can NSW education providers leverage the opportunities?

Overview of NSW International Education Sector

The Australian education industry is estimated to have generated \$84.1 billion in revenue in 2011/12.⁵ A key element of this is international education, or education 'exports'. This includes:

- The education of 'foreign' (non-citizen) students, who have crossed borders into the provider nation for study, and are referred to as 'international students'⁶; and
- The education of non-citizen students who are located offshore from the provider nation, either as distance education students or attending branch or franchised campuses of the provider nation ('transnational programs').⁷

The NSW international education student market can be broken down into four key sectors:

- Higher Education;
- Vocational Education and Training (VET);
- English Language Intensive Courses for International Students (ELICOS); and
- Schools.

NSW has the largest international student industry in Australia.⁸ In 2010/11 the international education market in NSW generated over \$5.8 billion in export income for the state, making it the second largest export industry for NSW, second only to coal.

However, the sector has experienced a significant nationwide downturn in international student enrolments in 2010 and 2011, particularly in the VET and ELICOS sectors (see Figure 1). This has resulted in a reduction in the sector's overall export earnings to \$16.3 billion in 2010/11, a 12% decline from \$18.6 billion in 2009/10.⁹ This

⁵ E.J. Lee (2011) IBISWorld Industry Report N: Education, IBISWorld.

⁶ OECD (2007) *Education at a Glance*, OECD Publishing.

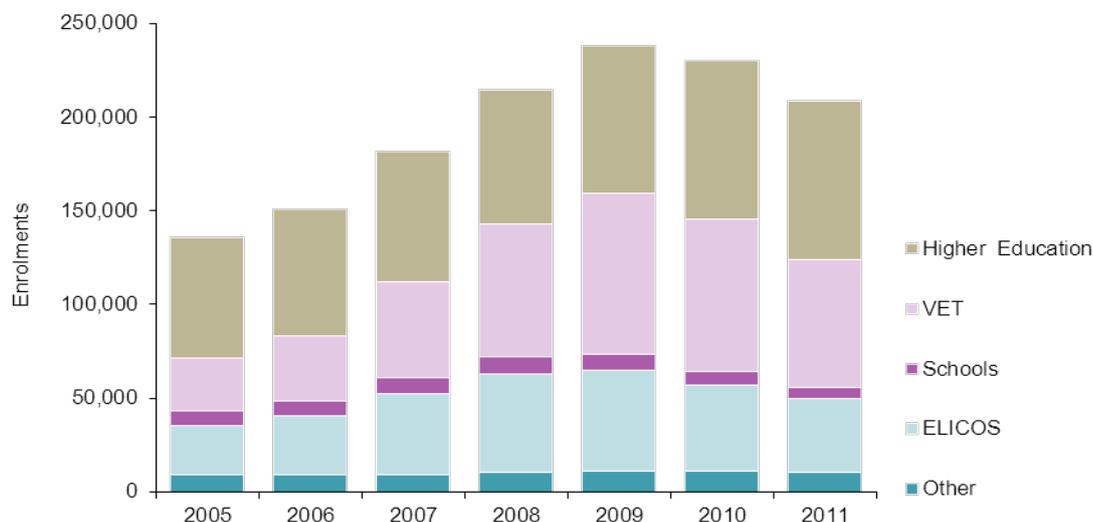
⁷ Ibid.

⁸ Lee, above n 1.

⁹ Australian Education International (2012) 'International Student Data' (<https://www.aei.gov.au/research/International-Student-Data/Pages/default.aspx>).

trend can be expected to continue as figures for 2012 so far show a further drop in enrolments.¹⁰ This decline has been attributed to a range of reasons, including highly publicised incidents of international students being assaulted while in Australia; the exposure of isolated disreputable training providers taking advantage of international students; the high Australian dollar; and changes to the Commonwealth’s skilled migration list.

Figure 1: NSW International Student Enrolments, sector breakdown



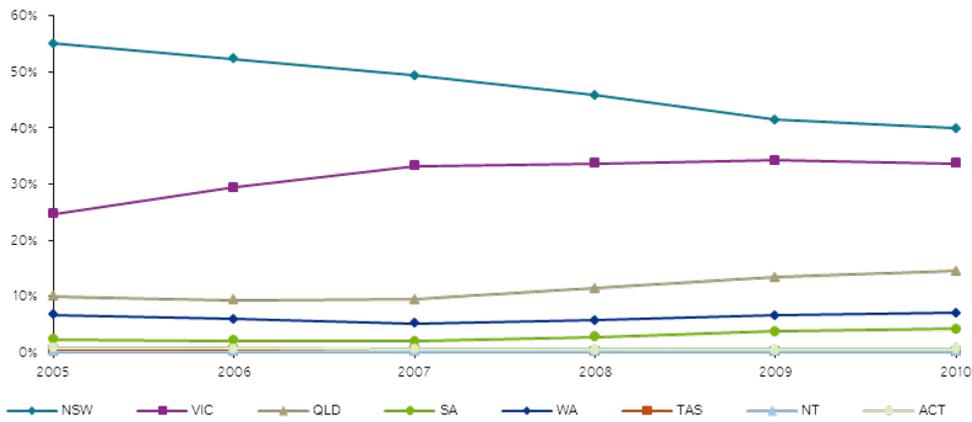
The chart above shows the AEI data for enrolments of students with student visas across all sectors in NSW. Additionally, within the ELICOS sector, many students who study to learn or improve their English are not counted within the official international education student numbers. While, official international student numbers are counted by those attending from the student visa class, a large amount of students attend ELICOS while on a working holiday or visitor visa. The number of Student visa holders enrolling in ELICOS declined from 2010, while students using Other, Visitor and Working Holiday visas grew. In 2011, Student visas were used by 54% of ELICOS students, a decrease from 60% used in 2010. 24% held Visitor visas and 22% held Working Holiday visas, increasing from the year before. With the decline coming from longer stay student visa holders and the growth coming from shorter stay visitor visas, the average number of weeks studied per student decreased from 11.9 in 2010 to 11.2 weeks in 2011.

The NSW share of the growing international student market in Australia has remained relatively stable over the period 2005-2011, falling slightly from 39.3% of enrolments in 2005 to 37.4% in 2011.¹¹ The majority of this fall can be accounted for by the large loss of international student VET market share, having fallen to 40% in 2011 since being 55% in 2005 (see below, Figure 2). Victoria and Queensland have increased their market share at the expense of NSW.

¹⁰ Ibid; though this data should be interpreted with caution as it only includes January and February of 2012.

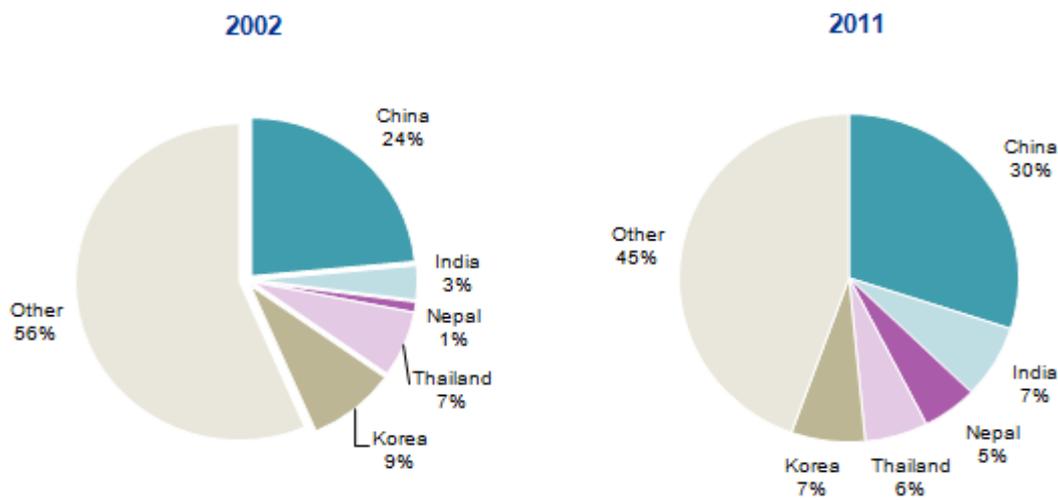
¹¹ Ibid.

Figure 2: Market share of international student VET enrolments by state¹²



NSW, like all Australian jurisdictions, has Asia as its main international education export market. China is the largest source of all foreign students into NSW, accounting for 30% of the State’s international student market in 2011, with India second accounting for 7.2%, despite declining from 11.8% in 2009.¹³ The last decade has seen a change in the State’s international student market, with Indian students making up only 3.5% of international student enrolments in NSW 2002, and China and Nepal also significantly increasing the number of students choosing to study at (or through) a NSW education provider.¹⁴ An outline of NSW’s key international education markets in 2002 and 2011 can be found below at Figure 3.

Figure 3: Comparison of 2002 and 2011 NSW international students by nationality



¹² Ibid.
¹³ Ibid.
¹⁴ Ibid.

GLOBAL TRENDS IN INTERNATIONAL EDUCATION

Overview

At the same time as the reduction in NSW's domestic education export earnings and market share within Australia, the market for education is becoming increasingly globalised and competitive. New markets are emerging, and both providers and governments (such as the United States and United Kingdom governments) are becoming increasingly aggressive in seeking to capitalise on these new opportunities.

Given the significant contribution the education sector makes to the NSW economy, and the recent reduction in student enrolments, it is important to further understand the global trends in education, how they might impact the NSW education market, and how NSW providers could anticipate and respond to these trends.

Eight inter-connected key trends have been identified:

1. **Quality and capacity of Asian education providers:** Asian countries, particularly China, Singapore and Korea, traditionally the source of many international students in Australia, are increasing the quality and capacity of their own education systems.
2. **Demand for education in Asia and the Middle East:** A growing middle class and demand for skilled labour will expand the market for education in Asia and the Middle East. Local providers alone cannot meet this level of demand alone.
3. **Online education:** Online education, both wholly online and blended, is becoming more common.
4. **Transnational education:** Demand for transnational education is growing, but physical transnational Australian institutional campuses are being rationalised.
5. **Marketing and branding:** In an increasingly global and competitive education market, institutions and countries are increasing their focus on marketing and branding.
6. **Competition from the US and UK:** The US and UK are renewing their efforts to attract international students.
7. **Private providers:** The number of private education providers is growing, as is their market share.
8. **Globalisation of research:** Higher education research is becoming increasingly globalised, including:
 - an increase in international collaborations;
 - a greater focus on research impact; and
 - intensified global competition for research talent.

These trends are by no means mutually exclusive – in fact, most are intrinsically linked. Within these trends, emerging potential education markets are identified. Given the inter-connectedness of these trends, the strategies and responses that providers and countries have developed in response are also similar and connected. Rather than duplicating the strategies and responses to these trends, the trends themselves have firstly been identified, and then the strategies and the trends they relate to indicated. In some instances this is as a specific strategy (see section 3), in others it is through the use of case studies.

Trend 1: Quality and capacity of Asian education providers

Asian countries, particularly China, Singapore and Korea, traditionally the source of many international students in Australia, are increasing the quality and capacity of their own education systems.

China has invested heavily to improve university quality and global competitiveness extremely quickly.¹⁵ More than US \$20 billion has been invested in its university system since the 1990s, especially in developing a smaller number (40-100) of top class research universities.¹⁶ In the early 1990s, China and India educated 5 million post-secondary students each. In 2006, China had more than 25 million enrolments and India 13 million.¹⁷

This heavy investment is beginning to pay off. China in particular has seen vastly improved performance on university rankings such as the Shanghai Jiao Tong University Institution of Higher Education (SJTUIHE) index illustrated in the table below. Notably, the SJTUIHE index, probably the most respected of the university ranking systems, is itself the product of a Chinese research university.

Table 1: Share of top 500 global research universities and GDP per capita, selected countries, 2004 and 2010¹⁸

Country	GDP per capita (PPP, USD)		Share of top 500 universities	
	2004	2010	2004	2010
USA	40,309	47,199	34.0%	30.8%
UK	36,789	36,144	8.4%	7.6%
Australia	30,569	42,131	2.8%	3.4%
Singapore	26,241	41,122	0.4%	0.4%
South Korea	15,029	20,757	1.8%	2.0%
China	1,490	4,428	3.8%	6.8%
India	668	1,475	0.4%	0.4%

This table shows that China has a higher share of the top 500 universities in the SJTUIHE rankings than Australia, particularly remarkable given its much lower GDP per capita.¹⁹ With these improved research rankings come an improved educational 'brand' (further explained under trend 5), which is beginning to translate into a legitimate option for Asian students when selecting where to study. In addition to the increased university rankings, local institutions have the natural advantage of being better placed to meet student demand for education that is relevant to local employer needs and contextualised to the local culture and environment.

The improved quality and quantity of Asian institutions is not just leading to an increase in home country students choosing to study in-country rather than abroad – it is also translating to neighbouring countries' students choosing another Asian country as a legitimate educational destination rather than the traditional countries such as Australia, the US and the UK. This is especially true of Singapore, China and Hong Kong, which are benefiting significantly from increased regional student mobility.²⁰ In 2007 China had more than 200,000 higher education international enrolments, three-quarters from other countries in Asia.²¹

¹⁵ OECD (2009) Higher Education to 2030: Volume 2: Globalisation, OECD Publishing.

¹⁶ Ibid.

¹⁷ Agarwal, P. (2009) Indian Higher Education: Envisioning the Future, Sage; OECD (2007) Education at a Glance, OECD Publishing.

¹⁸ Shanghai Jiao Tong University Institute of Higher Education (2010) *Academic Ranking of World Universities* (<http://www.arwu.org>); World Bank (2010) *World Bank Data and Statistics* (<http://data.worldbank.org>)

¹⁹ It should be noted that Australia has a higher number of top-ranked Universities than China, indicating that the quality of (particularly Group of 8) University research remains higher than its Asian counterparts, however China and its Asian neighbours are catching up.

²⁰ JWT Education (2008) International Student Mobility in East Asia, British Council.

²¹ OECD, above n 11.

In the schooling system, after years of rapid improvement, four of the world's five best performing school systems are Hong Kong, Korea, Singapore and Shanghai.²² The average 15 year old mathematics student in Shanghai is two or three years ahead on average of his counterparts in Australia, the US and the UK. Korean students are at least a year ahead of US and EU students in reading, and seven months ahead of Australians.²³ Far from being the world's biggest spenders on schooling per student, the Asian school systems have achieved this performance by paying attention to what works and what doesn't in their systems, valuing teachers and understanding the complexity of their profession, and focusing on learning and building teacher capacity to provide it.²⁴

What does this mean for NSW?

- Countries that were traditionally education exporters are now becoming competitors with Australia (and NSW) in their own right. The quality and experience of an Australian education, and the branding and marketing of the sector itself will become increasingly important.
- Other competitors are strengthening their focus on marketing and branding in order to better compete in the international student market (see trend 5).
- Despite the development of education systems in Asia, there remains significant market demand for both transnational and overseas education (see trends 2 and 4). A shortfall between the number of places at elite institutions on the one hand, and demand for course places and skilled labour on the other, is likely to continue, meaning there is opportunity for NSW to grow the number of Asian students studying at an Australian institution (either in Australia or in their home country as part of a transnational campus).²⁵
- Emerging markets such as Indonesia and Thailand may become more important to Australia (and NSW), as an Australian education offering is likely to remain highly attractive compared to local providers in those countries, and unlike their Asian neighbours, these countries are yet to invest heavily in their education systems.

Trend 2: Demand for education in Asia and the Middle East

A growing middle class and demand for skilled labour will expand the market for education in Asia and the Middle East. This level of demand cannot be met by local providers alone.

The middle classes of both India and China are growing substantially - they now number more than 50 million each, and will increase to perhaps 500 million each by 2025.²⁶ South East Asian economies such as Indonesia, Malaysia and Thailand are experiencing similar trends as their GDP grows.²⁷ Alongside this growth, the tertiary education participation rate is rising rapidly in each of these countries (see Figure 4) and is expected to continue to grow:

- China is aiming for a 40% participation rate by 2020; and
- India is aiming for a 21% participation rate by 2017.²⁸

Figure 4: Gross enrolment ratios in tertiary education, selected Asian countries²⁹

²² OECD (2010) PISA 2009: What Students Know and Can Do: Student Performance in Reading, Mathematics and Science, OECD Publishing.

²³ Jensen, B., Hunter, A., Sonnemann, J., and Burns, T. (2012) *Catching up: learning from the best school systems in East Asia*, Grattan Institute.

²⁴ *Ibid*, p. 11, 13.

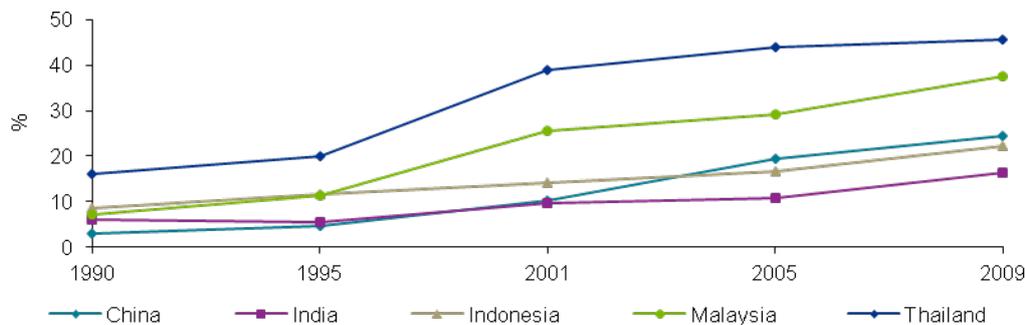
²⁵ Böhm A. et al (2004) *Forecasting international student mobility: a UK perspective*, British Council; Banks, M., Olsen, A. and Pearce, D (2007) *Global Student Mobility: An Australian Perspective Five Years On*, IDP Education Pty Ltd.; OECD above n 11.

²⁶ OECD, above n 11.

²⁷ World Bank, above n14.

²⁸ OECD, above n 11.

²⁹ World Bank, above n14.



The economic mix within these countries is also changing and influencing education and training demand. The industrialisation of emerging economies in Asia will contribute to increased demand for education in particular fields as the requirement for skilled labour increases. For example, the demand for computer science qualifications in South Asia is expected to grow rapidly as India develops its technology sector.³⁰

This isn't a 'bad news' story for traditional education export countries - despite the increase in both quantity and quality of overseas institutions, demand for high-quality education is still extremely unlikely to be met by local providers alone.³¹ Global demand for international higher education is forecast to grow from 2.2 million in 2005 to 3.7 million in 2025, at an annual rate of 2.7%.³² It is predicted that demand for Australian international higher education will increase from 163,000 to 291,000 over the same period, with the four largest markets - China, India, Malaysia and Indonesia – accounting for nearly 61% of demand.³³

English language education

The continuing predominance of English as the global language of business and research means that English will remain the preferred language for international students. Many students are still likely to combine gaining a qualification with improving their English language skills – which means that countries where English is the main language are likely to remain a desirable option for many overseas students.³⁴

Given that English language ability is essential for international students to succeed at university and transition successfully into English-speaking work,³⁵ there may be an opportunity for the development of more comprehensive English language programs by Australian education institutions. The growth of the English Language Intensive Courses for Overseas Students (ELICOS) sector in Australia, up to 14% of international student enrolments in 2009, demonstrates the potential demand in this sector.³⁶

³⁰ Böhm et al, above n. 21.

³¹ Ibid; Banks et al, above n 21; OECD, above n 11.

³² Banks et al, above n 21.

³³ Banks et al, above n 21.

³⁴ Murray, D., Hall, R., Leask, B., Marginson, S., Ziguras, C. (2011) *Background paper: State of Current Research in International Education*, paper prepared for International Education Research-Policy Symposium, 8 April 2011.

³⁵ Arkoudis, S. and Starfield, S. (2007) *In-course Language Development and Support*, as cited in Murray et al., above n 30; Department of Immigration and Citizenship (2006) *Longitudinal Survey of Immigrants to Australia*.

³⁶ Australian Education International (2012) *International Student Data 2012* (<https://www.aei.gov.au/research/International-Student-Data/Pages/InternationalStudentData2012.aspx>).

Work-readiness training

While both India and China are rapidly investing in their education systems, quality control and work-readiness problems still exist in less-selective institutions in both countries.³⁷ For example, up to 75% of India's engineering graduates are unable to function effectively in employment without further training;³⁸ and 25% of the 6.3 million 2010 Chinese tertiary graduates were unemployed halfway through 2011, in part due to quality issues.³⁹ High-quality courses that prepare students adequately for work in countries like Australia will therefore continue to be in demand.

There is also an increasing unemployed middle class within oil-rich Middle Eastern countries, such as Saudi Arabia. In Saudi Arabia between 2000 and 2009, university graduates went from 18% of the unemployed population to 44%, indicating a severe disconnect between skills demanded and education actually received.⁴⁰ A recent survey of Arab youth revealed only one third of graduate employees are ready for the workplace when hired, with more than half of employers having to provide substantial training for new hires to ensure work readiness.⁴¹

What does this mean for NSW?

- NSW has a large share of the Australian market for Chinese students but a low (and falling) share of Indian students.⁴²
- NSW must be able to understand the strengths of its existing offering, gaps in competitor provision and market demand in order to strategically target the growing Asian middle-class market.
- One way for NSW to differentiate itself, particularly from less-selective institutions in China and India, is to focus on promoting the quality standards of its providers.
- Adult and continuing education and 'work-ready' programs that add on to existing qualifications may become key markets where local certifications do not adequately prepare students for work. This may be relevant to both the Asian middle-class market, and also the middle-class of oil-rich Middle Eastern nations, such as Saudi Arabia.
- The continuing importance of English to education and employment success may increase opportunities for provision of English language programs. It may be worth investigating the potential for marketing English language programs alongside other higher-level qualifications.

³⁷ OECD, above n 11.

³⁸ Ibid.

³⁹ British Council (2011) Forecasting Chinese Student Mobility to Australia.

⁴⁰ World Bank (2011) *World Development Indicators*, as cited in Schlaffer, E & Kropiunigg, U, 'Saudi Youth: Unveiling the Force for Change', *Gulf Analysis Paper*, CSIS, November 2011.

⁴¹ Education for Employment (2011) *Realising Arab Youth Potential*.

⁴² Australian Education International, above n 32.

Trend 3: Online education

Online education, both wholly online and blended, is becoming more common.⁴³

In today's society, learners are becoming increasingly mobile, and are balancing work, study and home life. Learners increasingly expect on-demand access to learning information, tools, resources and real-time analysis and commentary. Online learning is an extension of digital technologies and social media that are now an integrated part of society's every-day life. Online learning can be delivered in two ways – either wholly-online, or as part of a blended (or 'hybrid') course delivery.

Wholly online learning

The industry for wholly online⁴⁴ courses in Australia now comprises almost a thousand providers with revenue of \$4.2 billion, having grown at 22.4% a year for the last five years.⁴⁵ The higher education sector comprises only 11% of the wholly online education market in Australia, with the majority of wholly online courses being in the VET sector – particularly in IT certifications (53% of all courses) and Certificates III and IV (14%).⁴⁶ However, a combination of student preferences for an on-campus experience, and research showing improved learning outcomes (particularly for young people) when online learning is used as part of a blended learning environment (see below), are likely to limit the growth of wholly online courses.⁴⁷

Blended or hybrid learning

The Australian higher education and VET sectors are leading the world in their use of e-learning, with 63% of universities having a major online presence in the majority of the curriculum;⁴⁸ and 82% of VET students having some e-learning in their course.⁴⁹ The uptake and use of new technologies in learning will continue to be an important trend in industry development, particularly in facilitating convenience and access for students.⁵⁰

In addition, budget cuts and the Global Financial Crisis, as well as student demands for flexibility, have led education institutions to find alternatives to the exclusive face-to-face learning models. 'Blended' or 'hybrid' models have been found by some institutions to be a partial answer to the tighter fiscal environment, where students travel to campus for some activities, and undertake other activities as part of a digital network (via 'online learning').⁵¹ However, online delivery is not always an effective way to cut costs (see below, 'Online learning risks and challenges').

Academics have found that blended learning – where there is a mix of transnational campus-delivered education and online learning – is likely to be the preferred pedagogical approach related to online learning into the future. This is because, particularly for young people, the on-campus experience and a connection to a tutor or lecturer are important, both for social development and completion rates. For mature-aged students, the social development aspect of an on-campus experience is not as important, however pedagogical research has still found improved learning and completion rates if there is a face-to-face element to the training (for example, through an intensive weekend period).⁵²

⁴³ Much of the uptake of use of the Internet in education has been on the administrative side, such as learning management systems and online enrolment. However, this does not comprise "online education", which is the use of the internet to support or deliver educational content, and therefore has not been analysed as part of this report.

⁴⁴ Defined as having 80% or more of the course delivered online: Kidson, A. (2011) *Online Education in Australia: IBISWorld Industry Report X0008*, IBISWorld.

⁴⁵ Ibid.

⁴⁶ Ibid.

⁴⁷ Ryan, Y. (2012) personal communication on 12 April 2012.

⁴⁸ Becker, R. And Jokivirta, L. (2006) *Online Learning in Universities: Selected Data from the 2006 Observatory Survey*, Observatory on Borderless Higher Education.

⁴⁹ I & J Management Services (2011) *2011 E-learning Benchmarking Survey*, survey conducted for the Department of Education, Employment and Workplace Relations.

⁵⁰ James, R., Krause, K-L. & Jennings, C. (2010) *The First Year Experience in Australian Universities: Findings from 1994-2009*, Centre for the Study of Higher Education, The University of Melbourne.

⁵¹ Johnson, L., Adams, S., and Cummins, M. (2012) *The NMC Horizon Report: 2012 Higher Education Edition*, The New Media Consortium.

⁵² Taylor, J. (2012) personal communication on 12 April 2012; Ryan, Y. (2012) personal communication on 12 April 2012.

Online learning technological trends

Key current trends in online learning technologies include 'cloud based' applications and services, and collaborative technologies.

Technologies becoming increasingly 'cloud-based': There is an increasing acceptance and adoption of cloud-based applications and services, which are changing the way providers configure and use software and file storage. This means moving away from school and university based servers. With this come privacy, sovereignty and intellectual property issues, which are making the education industry nervous about embracing such technology.⁵³

Collaborative technologies: Tools such as wikis, Google Docs, Skype and easily shared file-storage sites such as Dropbox are increasingly being used as part of the online learning experience to encourage collaboration between students, with students often being evaluated not just on the overall outcome, but also on the success of the group dynamic.⁵⁴

Online learning experts predict future technological trends affecting the online education industry to include:

Mobile applications (short-term horizon): Higher education institutions are beginning to design applications tailored to educational and research needs across the curriculum.⁵⁵

Tablet computing (short-term horizon): High-resolution screens allow users to easily share content with each other and pore over images and videos on the screen. Because tablets are able to tap into all the advantages that mobile applications bring to smaller devices, but in a larger format, higher education institutions are beginning to see them not just as an affordable solution for one-on-one learning, but also as a feature-rich tool for field and lab work.⁵⁶

Game-based learning (medium-term horizon): Research is continuing to demonstrate game-based learning's pedagogical effectiveness. Educational games can range from small-group card and board games to massive multiplayer online games and alternate reality games. It is predicted that once educational gaming providers can match the volume and quality of their consumer-driven counterparts, this trend will become more evident in the education sector.⁵⁷

Learning analytics: This includes a variety of data-gathering tools and analytical techniques to study student engagement, performance and progress in practice, with the aim of using what is learned to revise curricula, teaching, and assessment in real time.⁵⁸

⁵³ Johnson, L., Smith, R., Willis, H., Levine, A., and Haywood, K., (2011) *The 2011 Horizon Report*, The New Media Consortium; Johnson et al, above n 47.

⁵⁴ Ibid.

⁵⁵ Ibid.

⁵⁶ Johnson et al, above n 47.

⁵⁷ Johnson et al, above n 47, Johnson et al, above n 49.

⁵⁸ Johnson et al, above n 47.

Case study: Open Universities Australia (OUA)

OUA is one of the largest online education providers in Australia, with revenue of \$79.6m in 2009, up 35% on 2008.⁵⁹ Since 2009, it is a for-profit company owned by seven Australian universities: Curtin University, Griffith University, Macquarie University, Monash University, RMIT University, Swinburne University and the University of South Australia. OUA allows students to undertake 170 qualifications and 1400 study units through its shareholder universities and other partners via online distance education. The certifications awarded by OUA's partners are equivalent to an on-campus qualification.

OUA has always specialised in offering flexible education to those who are unable to attend an on-campus course. However, the advent of online course delivery has allowed OUA to tap in to a new market for higher education: time-poor working adults and mature age students looking to further their qualifications.

Enrolments at OUA grew on average by 28% a year between 2005 and 2010, to a total of 130,976.⁶⁰ This growth was due in part to a highly effective marketing campaign and the introduction of the FEE-HELP scheme, which has raised the uptake of deferred fees schemes from 39% in 2004 to 70% in 2007.⁶¹ OUA also established a partnership with SEEK Learning whereby OUA courses are promoted and linked to from SEEK search engine listings; in 2007 19% of OUA enrolments were delivered by SEEK. 92% of courses taken at OUA are undergraduate; 5.5% postgraduate and just 1.2% VET.

Online learning risks and challenges

There are a range of risks and challenges associated with online learning, that NSW (and the broader education sector) need to be cognisant of. These are outlined in the table below.

Risk/challenge	Description
Specialist knowledge of the specific market segment being targeted	Institutions often have insufficient knowledge of the specific market segment institutions are targeting, which is a key risk when delivering online learning. Understanding the market segment allows the institution to tailor and contextualise the materials appropriately. ⁶²
Understanding the cost of online learning	Institutions' online learning delivery often receives a bad name due to the technology behind it being part of a 'budget blowout'. Sufficient detailed knowledge of the true costs of online systems is an extremely important element of online learning pre-planning, and will then help to ensure that cost over-runs do not occur. ⁶³
Online learning workforce	There is often an under-appreciation by management of the human resources required to manage online learning, and that it is different to traditional campus based workforce – most probably it will require dedicated online tutors. ⁶⁴

⁵⁹ Kidson, above n 40.

⁶⁰ Ibid.

⁶¹ Ibid.

⁶² Ryan, Y. (2012) *New opportunities and markets in online education*, paper presented to the Informa Higher Education E-Learning Summit, 27 February 2012.

⁶³ Ibid.

⁶⁴ Ibid.

Curriculum design Where curriculum is being delivered beyond Australia, it should have a local context. However, currently in Australian universities ‘internationalisation’ is commonly understood as meaning marketing, increasing international student numbers, and expanding student’s mental and cultural horizons through exposure to other cultures, not the ‘internationalisation’ of course content itself.⁶⁵

National Broadband Network – recognising its geographical boundaries The introduction of the National Broadband Network provides immense opportunities but also risks in relation to online education. It is anticipated that it will greatly improve the downloading speeds and thus material quality for domestically based students. However, in developing these course materials providers will need to be cognisant that not all countries will have the same internet capabilities, and course materials will therefore need to be developed so as not to disadvantage international students.⁶⁶

What does this mean for NSW?

- Data from the VET sector indicates that NSW is behind the rest of the country in adapting e-learning technologies, with 77% of students having some e-learning in their course compared with the national average of 82%.⁶⁷
- NSW providers may wish to learn from ‘better practice’ examples (such as Open Universities Australia, above, and others outlined in the ‘Response strategies’ section), to encourage online learning with high retention and graduation rates. This includes providing locally contextualised course content; ensuring staff are fully trained in developing and delivering online; where possible offering a ‘blended learning’ environment; and when delivering education to international students ensuring that online materials are in a format that is easily downloadable on limited connections.

⁶⁵ Ibid.

⁶⁶ Ryan, above n 43.

⁶⁷ I & J Management Services, above n 45.

Trend 4: Transnational education

Demand for transitional education is growing, but physical transnational campuses of Australian institutions are being rationalised.

Transnational education enterprises, including overseas branch campuses, course franchising, “twinning” or joint delivery arrangements and online education are proliferating.

There were 200 transnational higher education campuses globally in 2009, compared with 162 in 2009 and 82 in 2006.⁶⁸ Australian transnational courses seem to be in a consolidation phase, with more students now enrolled in fewer programs than in 2003.⁶⁹ There is wide variation in the successfulness of international branch campuses.

The Australian transnational education market is predicted to continue to grow to 430,000 students by 2025.⁷⁰ Australian institutions have been increasingly interested in overseas campuses because of price issues associated with the stronger Australian dollar. For their part, host countries are interested in transnational education as a means of meeting the demand for quality education, establishing education “hubs” and retaining students in-country after graduation to prevent “brain drain”.⁷¹ As the sector grows, quality assurance for transnational education delivery will itself become more international as both the host and source country have a role and stake in maintaining quality.⁷²

Rather than competing with the Australian international student export market into Australia (that is, international students coming to Australia to study), the OECD concludes that they complement each other, and that it is unlikely that student mobility to Australia will be replaced by international students attending transnational local campuses, which would be less costly for them. Instead, the OECD concludes that transnational campuses tend to stimulate student mobility between the institutions’ domestic and foreign campuses. In Australia, most providers have adopted a three-year study model, with students starting abroad and finishing in Australia.⁷³

Case Study: RMIT

The Royal Melbourne Institute of Technology (RMIT) has a strategic commitment to establish strong international interconnectedness, including through student mobility, international program accreditation and delivery of offshore education. It currently delivers more than 41 programs through 17 partners to 11,000 students throughout Asia, and has a growing branch campus in Vietnam with around 6,000 students.⁷⁴ In 2010, RMIT signed 25 Memoranda of Understanding with foreign universities, setting out commitments towards joint projects and research, as well as delivery of offshore programs. However, RMIT also consolidated some of its international partnerships in 2010.⁷⁵

RMIT’s Vietnam campus delivers the same degrees that Australian students receive, in an effort to connect with Vietnam’s own growing global interconnectedness. RMIT also provides students with work-integrated learning experiences and internship opportunities to increase the job-readiness of its graduates, and has partnered with industry leaders such as Intel to provide scholarships.

⁶⁸ Lawton, W., and Katsomitros, A. (2012) *International branch campuses: data and developments*, The Observatory on Borderless Higher Education.

⁶⁹ Murray et al, above n 30.

⁷⁰ Böhm et al. above n 21.

⁷¹ OECD, above n 11.

⁷² Murray et al, above n 30.

⁷³ OECD, above n 11.

⁷⁴ Royal Melbourne Institute of Technology (2010) *Annual Report 2010*.

⁷⁵ Ibid.

Case Study: The University Of Nottingham's Ningbo Campus (China)

The University of Nottingham, Ningbo became the first Sino-foreign University to open in China in 2004. The University now has over 5000 students, five times its enrolment in 2005.⁷⁶ The University provides a preliminary first year to build English skills, as well as exchange programs back to the Nottingham campus for up to two years. The university has exchange links with many of China's top institutions including Shanghai Jiao Tong and Fudan Universities, and a number of collaborative research institutes.

This international campus has thrived by offering a British-style curriculum and pedagogy that engages students in discussion and interaction, rather than the traditional Chinese approach that consists mainly of lectures.⁷⁷

The University also has a campus in Malaysia with 3,600 students, since opening ten years ago with just ninety.⁷⁸

Transnational campus risks

There are a range of potential risks with transnational campuses, outlined below.

Transnational campus profitability is a big risk for institutions. The growth potential of institution mobility is limited by the risk and cost for the foreign institution, even though local industry partners may bear some of the risk. This form of cross-border higher education has so far yielded little profit: the (identified) benefits of foreign campuses have been limited, and the losses, substantial.⁷⁹ The OECD has concluded that the opening of foreign campuses still corresponds more to a race for prestige than for profit.⁸⁰

It seems that institutions are (on the main) struggling to perfect the 'transnational campus formula'. The OECD believes that host country subsidies could assist this mobility, but is not yet a sufficiently established trend. Program mobility is easier and less costly, but the franchise model raises significant quality control issues.⁸¹

International students studying in the institution's home country also provide greater economic benefit to the host country than those studying at their local transnational campus. The OECD has found that international students studying in Australia generate an economic activity far beyond enrolment fees, which only represented 48% of their expenditure in Australia in 2008.⁸²

⁷⁶ University of Nottingham (2010) *Global Review 2010*.

⁷⁷ Y. Ryan (2008) 'Borderless Education and Business Prospects', in T. Evans, M. Haughey and D. Murphy (eds), *International Handbook of Distance Education*, pp 741-764, Emerald.

⁷⁸ University of Nottingham, *Global Review 2010*.

⁷⁹ OECD, above n 11.

⁸⁰ Ibid.

⁸¹ Ibid.

⁸² Ibid.

Case study: Singapore

Singapore is making a concerted effort to rapidly develop its education sector, with the goal of capturing a larger share of the global educational market and boosting education to 5% of the economy from its current level of 3.6%.⁸³ More than one third of the higher education students in Singapore were enrolled in transnational programs in 2004, and the government has a goal to have 150,000 international students by 2015, much of which is expected to be met by transnational providers.⁸⁴ By 2006, Singapore already hosted nearly 80,000 international students.⁸⁵

The government has pioneered the 'education hub' model through its 'Global Schoolhouse' initiative, which has provided favourable business conditions for a number of elite educational institutions, including INSEAD, the Wharton Schools, Massachusetts Institute of Technology and the Chicago Business School, to set up research and education branch campuses. Singapore now hosts 18 branch campuses, up from 12 in 2009.⁸⁶ Local universities, such as the National University of Singapore, are also strongly encouraged to set up partnerships with top international institutions to offer joint degrees.⁸⁷ However, tax incentives, grants and loans have not been enough to guarantee success in every transnational campus initiative, with the University of New South Wales pulling out of a project to establish a comprehensive campus for 15,000 students after just one semester due to enrolment figures that reached only halfway to projected targets.⁸⁸

What does this mean for NSW?

Offshore and onshore international education can be complementary, and are even combined by some Australian institutions.

The attraction of the on-shore educational experience is likely to remain important for student decisions.

Offshore campuses are yet to show evidence of broad profitability. They also contribute less to the institution's home country's economy than when international students study in the home country.

NSW may wish to better understand the drivers behind transnational education success and failure, given the wide variation in success rates for international branch campuses. Within this analysis the NSW Government might like to better understand whether there is cross-subsidisation occurring within institutions with transnational campuses (that is, the domestic campuses subsidising the transnational campuses or vice versa).

⁸³ Ng, P.T. and Tan, C. (2010) 'The Singapore Global Schoolhouse: An analysis of the development of the tertiary education landscape in Singapore', *International Journal of Educational Management*, Vol. 24 No. 3, pp. 178 – 188.

⁸⁴ Lee, S.J. (2005), "Educational Upgrading through Private Educational Institutions", *Singapore Statistics Newsletter*, September 15-17; R. Bhandari and R. Belyavina, 'Global Student Mobility: Trends and New Directions', *International Higher Education*, Vol. 66 (2012), 14.

⁸⁵ Ng and Tan, above n 79.

⁸⁶ Lawson and Kasomitos, above n 65.

⁸⁷ Ng and Tan, above n 79.

⁸⁸ Ibid.

Trend 5: Marketing and branding

In an increasingly global and competitive education market, institutions and countries are increasing their focus on marketing and branding.

The unprecedented increase in mobility of students has created a global market for education and opened up international competition. The number of students studying internationally has quadrupled over the past thirty years to 3.3 million in 2008,⁸⁹ and is estimated to grow to between 4.1 and 6.7 million by 2020.⁹⁰

University rankings, begun in 2003 by the Shanghai Jiao Tong University and in 2004 by Times (UK), now facilitate international comparison between higher education institutions, making the market more global and competitive. Universities are positioning themselves to maximise their position on these rankings, for example by intensifying competition for top research faculty (highly weighted by the Shanghai Jiao Tong University rankings) and investing in reputational marketing and branding (highly weighted by the Times).⁹¹ Programme for International Student Assessment (PISA) data perform a similar role to university rankings with regards to schools, but at this stage only allow for comparison of countries, not individual institutions.

The high Australian dollar, recent changes to the skilled migration visas, the relatively high cost of living in Australia compared to overseas countries, and highly publicised quality and public safety issues affecting international students, all mean that Australia needs to become even savvier at marketing itself in the increasingly competitive international student market. In this increasingly global market, institutions must promote their brand and differentiate their offering to be successful.

Many governments have adopted a coordinated approach to marketing their education sector abroad, including use of destination-wide branding, for example 'Singapore education'.

Issues of quality, reputation and employability are still the primary considerations influencing student choices. However, secondary factors such as lifestyle, cost of living, visa arrangements and migration pathways are increasingly important to a country's education offering in a globalised market.⁹²

What does this mean for NSW?

- NSW may wish to reflect on its current brand in the international student market, as well as its marketing activities, particularly compared to key competitors (such as UK and the USA, discussed in the next slide), and ensure that it positions NSW as positively as possible to potential students.
- In reflecting on its current brand and marketing activities, NSW may want to remain cognisant that issues of quality, reputation and employability are still the primary considerations influencing student choices. This means that policy, strategy and execution of branding and marketing activities to international students cannot occur in isolation of the education sector's regulatory and quality control bodies.

Trend 6: Competition from the US and UK

The US and UK are renewing their efforts to attract international students.

⁸⁹ OECD (2010) *Education at a glance*, OECD Publishing.

⁹⁰ Calderon, A. (2010) *Emerging countries for student recruitment in tertiary education*, as cited in Murray et al. (2011) 'Background paper: State of Current Research in International Education', paper prepared for International Education Research-Policy Symposium, 8 April 2011.

⁹¹ OECD, above n 11.

⁹² International Graduate Insight Group (2011) 'International Student Barometer'

(http://www.i-graduate.org/services/student_insight--student_barometer.html);

Australian Education International (2010). *International Graduate Outcomes and Employer Perceptions*.

Due to the Global Financial Crisis, the US and UK have significantly reduced funding of their higher education institutions. To supplement their income, these institutions are placing an increased focus on the recruitment of international students.

The US in particular is looking to attract more undergraduate students, a key market for Australia.⁹³ There is also rising interest by US institutions, including highly prestigious universities, in the use of international recruitment agents such as IDP to attract international students; such a move could significantly impact Australia's source markets.⁹⁴ In addition, competitors are also now focusing more on East Asia as a market for international students, a key market for Australian providers, with 80% of surveyed institutions in 2008 being 'significantly or very active' in recruiting from East Asia.⁹⁵

In light of increasing competition for international students, the UK, through the British Council, has increased its focus on collecting and generating higher education market intelligence to inform strong strategic policy formation and programmatic responses for their international education sector.⁹⁶ The US is also improving its education intelligence capacity through the EducationUSA network.⁹⁷

Case study: EducationUSA

EducationUSA, an arm of the US Department of State, is a global network of around 400 centres in 170 countries that promote US higher education and advise institutions about international recruitment strategies and setting up transnational programs. Their website provides course details for students as well as information for institutions interested in international recruitment.

Advising centres in libraries, universities, consulates and other locations provide information to millions of students each year about admissions, testing, financial aid, visas and pre-departure orientation. The EducationUSA website provides step-by-step guidance to prospective students covering the same topics, and the organisation operates several popular social media channels, including Facebook and Youtube.

The EducationUSA advising centres and website also provide institutions with consulting services for international student recruiting, understanding of local markets, intelligence about student mobility through the annual Open Doors report and advice on establishing transnational operations.

What does this mean for NSW?

- The increased recruitment activity by US and UK institutions is likely to cut into Australia's key source markets. This means that a focus on strong branding and marketing becomes increasingly important.
- NSW may want to consider how to encourage more 'outbound mobility', as the US has begun to do (see case study on '100,000 strong' in the 'Response strategies' section), given that Australia (like the US and UK) sends comparatively few of its students abroad to study. Outbound student mobility has been found to be beneficial to international relationships and both countries' international student markets.⁹⁸

Trend 7: Private providers

The number of private providers is growing, as is their market share.

⁹³ Murray et al, above n 30.

⁹⁴ Ibid.

⁹⁵ JWT Education, above n 16.

⁹⁶ Murray et al, above n 30.

⁹⁷ EducationUSA (2012) *U.S. Higher Education Community*, (<http://www.educationusa.info/highered.php>)

⁹⁸ Murray et al, above n 30.

The trend of decreasing public investment in education has levelled the playing field to the advantage of private providers.⁹⁹ The worldwide private higher education market in 2005 was estimated to be worth more than \$300 billion, and growing rapidly. In the US, private higher education provision is growing by 15% a year.¹⁰⁰ Private higher education is the fastest-growing segment of post-secondary education.¹⁰¹ In Australia in 2009, private VET education reached its highest-ever level at 32% of total international student enrolments (AEI 2009). ELICOS is also a large market for private providers, with 74.6% of international student enrolments Australia wide going to private ELICOS providers.

Large global brands, such as Kaplan, Study Group, Navitas and Open University have emerged as market leaders. Private providers are particularly significant in the Australian online education market, with the three largest providers (Open Universities Australia, Kaplan, Navitas) all being privately owned.¹⁰²

Case study: Kaplan

Kaplan is a multinational private education provider owned by the Washington Post. Its offering includes higher education and professional training courses, both online and offline. It claims to service more than a million students each year, many of which are part of corporate or government clients.

Kaplan Higher Education is the arm of the business that offers tertiary courses. The Kaplan University operation had 58,200 students online and 7,400 in classrooms in 2010. Kaplan has subsequently suffered a significant drop in enrolments due partly to reputational damage following the exposure of its low student graduation rate (37% within 6 years) - a problem that is not uncommon among online education providers.¹⁰³

Kaplan is continuing to expand its global operations and operates the Kaplan Business School in Sydney, Melbourne and Adelaide, as well as university preparation courses through Bradford College and Murdoch University of Technology. However, in 2011 Kaplan shelved plans to establish a university for 5000 students in Adelaide, citing complexity of regulatory requirements in the US and Australia, including the impact of the new Tertiary Education Quality and Standards Agency.

What does this mean for NSW?

The mix of providers in the tertiary education space especially, is likely to change in the coming years for NSW. Ensuring the quality of private providers will remain important, given that Government has different levers at its disposal when it seeks to influence private providers than when it seeks to influence public providers.

Trend 8: Globalisation of research

Higher education research is becoming increasingly globalised, including: an increase in international collaborations; a greater focus on research impact; and intensified global competition for research talent.

⁹⁹ OECD, above n 11.

¹⁰⁰ Murray et al, above n 30.

¹⁰¹ Altbach, P. G. (2005), 'The Private Higher Education Revolution: An Introduction,' in P. G. Altbach and D. C. Levy, *Private Higher Education: A Global Revolution*, pp. 1-13. Sense Publishers.

¹⁰² Kidson, above n 40.

¹⁰³ Ryan, above n 43.

New global comparators, including university research rankings and research publication and citation measures now heavily influence government policy, mobility decisions of research students and faculty and flows of funding in higher education research.¹⁰⁴ The benefits to both institutions and the knowledge economy of globalised research programs and strong international partnerships are driving increased international research collaboration. In 2005, 56.6% of all Australian science papers were co-authored with international collaborators.¹⁰⁵ The importance of top quality research to a university's global brand and its performance on university research rankings, combined with increasing global student and staff mobility, is likely to drive continued competition for top research faculty and doctoral students.

Case study: Innovation China UK (ICUK):

UK universities have already realised the increasingly important role of China in global research and development, collaborating more with China than any European country.¹⁰⁶ In recognition of this, Innovation China-UK (ICUK), which received joint funding of 5 million pounds each from the UK and Chinese governments in 2006, links five UK institutions with around 60 Chinese ones in a collaborative research and knowledge transfer partnership.¹⁰⁷

Phase 1 of the project aimed to increase the level of commercialisation of joint UK-China research outcomes, which may be hampered by cultural barriers and the absence of dedicated support for technology transfer.¹⁰⁸ The project supports academic and business partners to fund proof-of-concept research and commercialise joint intellectual property, particularly in scientific and technological research areas. The ICUK's Collaboration Development Fund has funded 72 commercialisation projects so far, engaged 270 academics in joint projects and filed 14 new patents.¹⁰⁹

Phase 2 of the development of ICUK is focusing on leverage its expertise about China's R&D market to provide consultancy services and partnering events for UK businesses and institutions looking to develop and commercialise research in China.¹¹⁰ ICUK's consultancy offering includes market intelligence, business development and IP commercialisation services.

From a policy perspective, the imperative of improving university research performance to power the knowledge economy is creating a trend towards concentration of research capacity by investing heavily in a smaller number of top institutions, such as Germany's *Exzellenzinitiative* and the "China 9", and the top universities in the US have long received the greatest share of research funding and student fees. Concentration also appears to benefit institutions' research rankings, at least partly due to the direct benefits of institutional size in aggregating resources and attracting global talent.¹¹¹ In one striking case, the University of Manchester, 89th on the SJTUIHE 2003 rankings, and the Manchester Institute of Science and Technology, ranked in the 201st-250th band, merged and subsequently climbed to 40th position by 2008.¹¹²

A recognition of the importance of research to the knowledge economy and the success of the education sector is driving new ways to measure research impact to inform policy formulation and investment. For example, the UK will assess "impact" through its Research Excellence Framework based on case studies demonstrating social, economic or cultural impact underpinned by excellent research.¹¹³

¹⁰⁴ Marginson, S (2008) *The Global Position of Australian Higher Education to 2020*, paper prepared for the Review of Australian Higher Education.

¹⁰⁵ National Science Board (2008) *Science and Engineering Indicators* as cited in Marginson, above n 101.

¹⁰⁶ Murray et al, above n 30.

¹⁰⁷ Innovation China UK (2012) *ICUK – Overview* (<http://www.icukonline.org/about/overview.shtml>)

¹⁰⁸ Queen Mary, University of London (2007) *Chinese Ambassador and UK Science Minister launch Innovation China UK (ICUK)*

(http://www.qmul.ac.uk/qmul/news/newsrelease.php?news_id=770)

¹⁰⁹ Innovation China UK, above n 104.

¹¹⁰ Ibid.

¹¹¹ Marginson, above n 101.

¹¹² Ibid.

¹¹³ Higher Education Funding Council for England (2011) *Decisions on Assessing Research Impact: Research Excellence Framework 2014*.

What does this mean for NSW?

- Of the estimated 300,000 globally mobile research students, 40% are in the US; 15% in the UK, and 1% in Australia.¹¹⁴ Australia is ranked sixth in terms of “attractiveness” for international post-graduate research students.¹¹⁵
- If institutions can synergise cross-border campuses with research collaboration a wider range of strategic possibilities may open up.
- Collaboration with rising Asian institutions will be particularly important to Australia’s research system, especially given the trend towards more regional research partnerships. This might also expand inflows of quality Asian doctoral and post-doctoral students to Australian institutions.

¹¹⁴ Kemp, N., Archer, W., Gilligan, C. & Humphrey, C., (2008) *The UK’s Competitive Advantage: The Market for International Research Students*, UK Higher Education International Unit.

¹¹⁵ Murray et al, above n 30.

RESPONSE STRATEGIES

There are a range of international education programs and strategies in response to the global challenges and issues in international education. A large number of these have already been highlighted as part of the case studies throughout this report. Other strategies – at a higher level - are described below. The strategies are usually in response to a range of issues and challenges, due to the connected nature of the issues and challenges themselves.

Encourage out-bound student mobility

Australia, like the US and UK, sends comparatively few of its students abroad for study. However, outbound student mobility has been found to be beneficial to development of international relationships, links between institutions and the quality of the education and research sector generally.¹¹⁶ Outbound mobility to rising Asian education powers is likely to be increasingly important in the coming years. In recognition of this, the US, through its '100,000 strong' initiative, has committed to increasing the number and breadth of US students studying in China.

Case study: The USA's '100,000 strong' initiative

The US, through its '100,000 strong' initiative, has committed to dramatically increasing the number and diversity of US students studying in China. Currently, ten times as many Chinese students go to study in the US as travel the other way.¹¹⁷ In support of the initiative, China has announced 10,000 'bridge scholarships' for US students. The initiative has foreign policy objectives, seeking to strengthen ties between the countries and train a generation of 'China experts' to help the US manage its increasingly important relationship with China.¹¹⁸

Notably, the initiative has no public sector funding, relying entirely on philanthropic support to fund the necessary expansion in exchange programs. Corporations such as Citigroup have also donated towards funding US students to study in China.

What does this mean for NSW?

- NSW institutions and government might like to review their current out-bound mobility activity and strategy, alongside programs such as the USA's '100,000 strong' initiative and the European Commission's Leonardo da Vinci program, with the aim of increasing outbound student numbers in the short to medium term.

Development of successful institutional level online strategies

At an institutional level, successful providers are developing online strategies that recognise the complexity of online education, including:

- Specific knowledge of the specific market segment the institution is targeting;
- Detailed knowledge of the true costs of online systems;

¹¹⁶ Murray et al, above n 30.

¹¹⁷ Institute of International Education, *Open Doors 2011 Data*, (<http://www.iie.org/en/Research-and-Publications/Open-Doors/Data>).

¹¹⁸ U.S. Department of State, *100,000 Strong Initiative*, (http://www.state.gov/p/eap/regional/100000_strong/index.htm).

- Recognition that the human resources required to manage online learning are different to a traditional campus-based workforce – most probably it will require a dedicated online tutoring group, likely to be casually employed; and
- A commitments to provide comprehensive professional support in the form of educational developers, graphic designers, and academic skills staff who assist the staff member to develop appropriate and high quality materials.¹¹⁹

Case study: The University of Pheonix (UoP)

The UoP is the largest online education provider in the world, with some 400,000 students. The university built on its experience in catering to the convenience-orientated US mass market, and its success is partly due to its online delivery model whereby students attend virtual tutorials of no more than 20 students, with a strong expectation of participation in discussion and learning that is encouraged by trained tutors. Students must log on four times a week for online activities, discussion and continuous assessment over the six-week term.

The university is able to leverage economies of scale by having centrally developed curricula distributed across enormous student numbers, and offering few electives, rather than by having large student-teacher ratios. The UoP's specialist areas include business management, IT and, more recently, health care, nursing, education and human services.¹²⁰

The UoP suffered a 34% drop in enrolments in 2011, due to operational changes made in response to bad publicity and strict regulation regarding aggressive market practices and misrepresentation of employment rates for its graduates.¹²¹ These measures included training for recruiting agents and offering fee-free course trials.

What does this mean for NSW?

As institutions develop their online learning strategies and then course materials, they may wish to follow these key factors for successful learning.

Coordinated national marketing capability

As a result of the increased focus on marketing and branding strategies, the British Council's Services for International Education Marketing (SIEM) facility now provides UK educational institutions with in-country marketing support across 37 target countries. They offer market intelligence and assistance with recruitment through international exhibitions and direct marketing.¹²²

¹¹⁹ Ryan, above n 58.

¹²⁰ Ryan, above n 43.

¹²¹ Ibid.

¹²² British Council (2012) *Services for international education marketing* (<https://siem.britishcouncil.org/front/all>).

Case study: The British Council's Services for International Education Marketing (SIEM) facility:

The British Council is a NGO founded by the UK Government to promote international cultural and educational exchange with the UK. The Council's SIEM facility provides UK education institutions with tailored, flexible in-country marketing support across 37 target countries, to promote both transnational and UK-based educational opportunities.

The services available for purchase through the SIEM include market intelligence; direct marketing; exhibitions, and support to transnational initiatives.¹²³ The market intelligence service is well on its way to achieving its goal of being the world's premier education market intelligence provider, through funding and conducting research such as country briefs, assessments and forecasts of students mobility and analysis of student educational preferences.¹²⁴ The direct marketing arm provides consulting services for the development of local marketing strategies and event management services, while the exhibition service has a schedule of global exhibitions showcasing UK institutions. Finally, the transnational education service line provides market intelligence, marketing and partnership brokerage services to support transnational initiatives overseas.

Case study: The 'Study in the States' initiative

Announced in September 2011, this initiative of the Department of Homeland Security will attempt to streamline international student visa arrangements for those wishing to study in the US or remain there after graduation.¹²⁵ Recognising the continuing important role that international students play in the US economy, particularly in scientific and technological fields, the objective of this initiative is to encourage and attract the best and brightest foreign students to study and remain in the US.¹²⁶

The Department has also created an online information hub for international students to easily access up-to-date visa and qualifications information and other advice about making the move to the US to live and study.¹²⁷ This central information hub is intended to improve coordination between the various departments involved in the international visa and exchange programs and provide a 'one-stop shop' for international students seeking visa information.

What does this mean for NSW?

- NSW might like to benchmark its current marketing activities against competitor country's activities, including the British Council, and if necessary improve and better coordinate the state's marketing capability to international students.

¹²³ Ibid.

¹²⁴ Murray et al, above n 30; ibid.

¹²⁵ Department of Homeland Security (2011) Secretary Napolitano Announces the Launch of Study in the States, (<http://www.dhs.gov/ynews/releases/20110916-study-in-the-states.shtm>).

¹²⁶ Department of Homeland Security (2011) *Fact Sheet: Study in the States*, (<http://www.dhs.gov/ynews/releases/20110916-fact-sheet-study-in-the-states.shtm>).

¹²⁷ At <http://studyinthestates.dhs.gov/>

Greater focus on research impact and research partnerships and collaboration

The UK is introducing 'impact' as an assessment measure in its 'Research Excellence Framework' (REF) from 2014. Impact will be assessed through the submission of case studies demonstrating social, economic or cultural impact underpinned by excellent research.¹²⁸

A number of countries and States have begun to actively develop partnerships and networks beyond the country itself. For example, the National University of Singapore has entered into a number of research and teaching partnerships with institutions in both Asia and western countries. It also has a significant role in groups such as the Asia-Pacific Rim Universities, including hosting meetings.

Case study: The National University of Singapore:

With a vision of a global knowledge enterprise, the NUS is one of the most successful globally-interconnected universities in the world. It has established nine research and teaching partnerships with top tier institutions, including Duke University, the John F Kennedy School of Government at Harvard, University of California, Berkeley, and the Massachusetts Institute of Technology (MIT).¹²⁹ NUS is also actively involved in academic and research networks such as the Association of Pacific Rim Universities and the International Alliance of Research Universities, including hosting network events.¹³⁰

The university's international partnerships are a central part of their activities. One of the older international alliances set up by NUS is the Singapore-MIT alliance, founded in 1998. This initiative combines a centre for engineering research excellence with delivery of online distance education, including videoconferencing of lectures, and online discussion, quizzes and materials.¹³¹ A more recent NUS collaboration is with the French Grandes Écoles, in a joint program where top NUS Engineering, Science and Computing students spend two of their five years in a French Grande École and graduate with a Master's degree from each institution.¹³²

What does this mean for NSW?

- NSW may like to review its educational institutions' current collaborations and partnerships, and assess whether there is an opportunity to further leverage these at a state level.

¹²⁸ Higher Education Funding Council for England, above n 110.

¹²⁹ National University of Singapore (2012) International Collaborations in Teaching and Research (<http://www.nus.edu.sg/global/global-partners.php>)

¹³⁰ National University of Singapore (2010) *Annual Report 2009-10*.

¹³¹ Singapore-MIT Alliance (2012), *Overview*, (<http://web.mit.edu/sma/about/overview/index.htm>)

¹³² National University of Singapore, above n 126.

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13 APPENDIX G – FROM UNIVERSITY EXPORTS TO THE MULTINATIONAL UNIVERSITY

THE INTERNATIONALISATION OF HIGHER EDUCATION IN AUSTRALIA AND THE UNITED STATES

September 2012

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INTRODUCTION

The internationalisation of higher education has been one of Australia's best success stories in the past two decades. In recent years, higher education exports (Australian institutions "exporting" the service of educating students from other countries) have been Australia's third largest export industry after only iron ore and coal—valued at a high of \$18 billion in 2009. But that success story today is under threat in at least three ways.

The first threat is "lateral" from universities in other countries aggressively trying to take market share from Australia, led by cash strapped American public universities with big global brands like Berkeley, UCLA and Washington. These new entrants only threaten to exacerbate the post global financial crisis "perfect storm"—the high Australian dollar, bad foreign press about the education experience in Australia, and tighter visa restrictions—that has cut into Australian higher education exports since 2009.

The second threat is from "above", by ambitious American private universities like Duke and NYU that hope to leap over the export phase of internationalisation to become what we will call "multinational universities" (MNU). These universities want to execute their research and teaching all around the globe, leveraging new sources of academic talent, new sources of financial support, and new student markets much as multinational corporations do with respect to global supply and distribution chains.

The final threat is from "below", with the prospect of high quality but low cost (even free) higher education delivered online not only by new for profit entrants into the higher education market like Coursera, Udemy and Udacity but also by some of the world's leading universities such as Harvard and MIT. The first wave of online higher education dissipated with the bursting of the dot com bubble in 2001. But there is every indication that the second wave will be more robust and longlasting, even in today's troubled global economy.

These three challenges, of course, are not unique to Australia, or indeed even to universities. In fact, these challenges—new entrants into existing markets, multinational firms slicing up the global value chain, and online cost cutters at massive scale—are common to most industries in today's truly global, technology turbo charged, and ultra competitive world economy.

In this report, we focus on the first two "international" challenges to Australian higher education, new export competition and the spectre of MNUs, leaving the final online challenge to our next report—with some early thoughts on "MOOCs", massive open online courses, sketched in Appendix 2.

Our report proceeds in four sections. Section 1 develops a simple conceptual model of the internationalisation of higher education from traditional universities with a purely national focus through the export model of the past two decades to today's emergent MNUs. Section 2 elaborates the Australian export model and analyses the challenges it is now facing from high quality American public universities. Section 3 describes the new idea of an "MNU" and discusses four prototypes from Duke, MIT, NYU and Yale. Section 4 then assesses how Australia might respond to these challenges at the level of both public policy and university strategy.

The internationalization of higher education

For most of the 20th century, the principal ways in which universities internationalised themselves was through the recruitment of academics and PhD students from abroad and the incorporation of international subjects into on campus curriculums, with short-term study abroad to give students international experiences becoming more prominent after World War II.

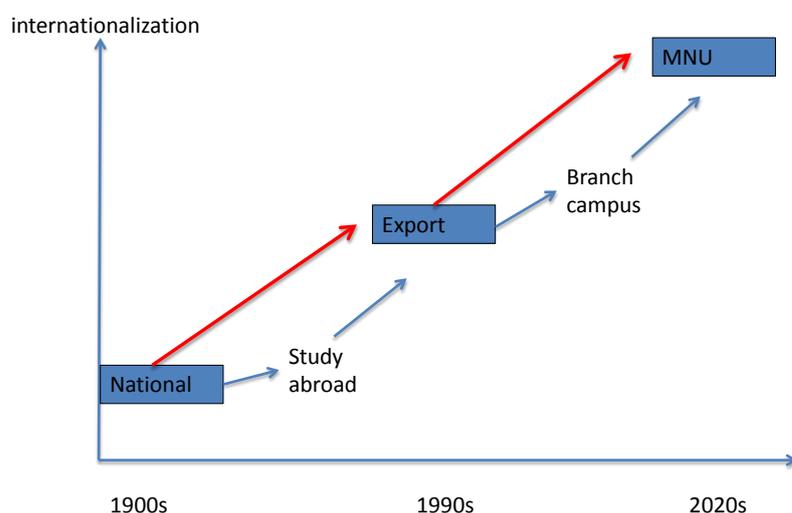
International scholarship programs such as the Rhodes Scholarship, Fulbright Program and the Colombo Plan provided some of the first opportunities for students to gain experiences abroad. Beginning at about the end of the cold war, however, universities around the world began to move to more ambitious internationalisation strategies based on the recruitment of full fee paying foreign students at the undergraduate and coursework masters levels. Most of these students were initially recruited onto the home campuses of developed country universities. Some institutions subsequently chose to follow up by opening branch campuses in other countries, mostly in developing countries where demand was high and costs were low.

Today, higher education is on the cusp of a more radical phase of internationalisation. Offshore activities and international partnerships are poised to play a leading role as universities come more closely to resemble higher education analogues of multinational corporations.

We represent this evolution towards the birth of MNUs schematically in Figure 1. The traditional "National" model of a university developed first in 19th century Germany was defined by the interlinking of teaching and research organized in disciplines. In this model, students were drawn almost exclusively from the local area or at most the rest of the home country. The only exception was the international recruitment of PhD students and

academic staff. The main source of funding for the traditional national university remains public in most countries, with a combination of fees and philanthropy used by the relative small number of major private universities found predominantly in the US (with notable hybrids in Cambridge and Oxford).

Figure 1. The evolution of international higher education



With governments and institutions such as the Ford Foundation broadening their educational horizons after World War II, universities began to dip their toes into the international water through short-term “Study abroad” programs for domestic students. In economic terms, this amounted to importing higher education services from another country to teach home students for short periods. But in most instances, these imports were balanced with “exports” of students from the host international university to the domestic university—that is, the reciprocity/exchange model that today still characterizes most study abroad programs. The recently signed Memorandum of Understanding between the elite universities in Australia’s Group of Eight and China’s C9 is an example of the continued importance of student exchange programs.

The primary impetus for study abroad was not financial, and hence it did not amount to a fundamental change to the business model of the traditional national university. The point of study abroad remains to give domestic students international experiences by studying and living in another country, comprising a relatively small portion of what remains essentially an at home degree for a small subset of the total student population. Getting credit at the home institution for study at the host institution, and hence not increasing time to degree, continues to be a significant challenge to scaling study abroad. In the US for example, during 2008-2009, only 260,000 Americans studied abroad—around 1.5% of the total tertiary student population.

The second wave of internationalisation that began in about 1990 – when national universities began educating large numbers of foreign students – was far more dramatic. In this “Export” model, universities in developed countries not only opened their doors to foreign students, mostly from developing countries, but actively recruited them. Part of the motivation was to create an international experience for all students on the domestic campus. Part also concerned the social imperative to develop human capital in the developing world. And part of the impetus for bringing in large numbers of foreign students was to develop talent from the developing world and to deploy it in the developed world, the “brain drain”.

But the fundamental motivation for the export model was financial. Governments, implicitly compensating public universities for at best flat funding for local students and research costs, allowed universities to use government funded and often owned physical plant to educate as many foreign students as they liked, charging whatever prices the market would bear. At the same time, some US private universities with big aspirations but small endowments began using the large scale recruitment of foreign students as a way to generate the revenues needed to compete with their richer peers.

In 2009, more than 2.5 million students were enrolled in study outside their home country; with UNESCO projecting this will rise to 7 million by 2020. In Australia, international students today represent more than 20% of total students in higher education, with the figures in other Anglo-American democracies catching up rapidly, and with continental Europe also trying to jump on the gravy train. Appendix 1 details international higher education demand and reports that by 2020 the world's four largest countries in terms of population - India, China, the US and Indonesia - will account for more than half the world's university-aged population.

With foreign students typically paying three times or more the tuition (or per capita government support) of domestic students, the revenue implications of the export model were profound. Indeed, in Australia student fees from international students today come close to matching the money universities receive from the government to teach Australian students—despite the fact that there are nearly four times as many Australian as international students.

Some developed country universities have augmented the export model by establishing “branch campuses” in developing countries—that is, bringing the provision of higher education to international students rather than asking international students to come to the home campus. Students receive degrees from the home university, often using its at home curriculum though with a smaller range of course offerings, but invariably deploying more local academic staff to teach and administer courses, and many with lower quality infrastructure.

The principal benefit of branch campuses is lower costs, both for students and for universities. The principal challenge for branch campuses is quality control, with potentially significant adverse reputational consequences, because admissions criteria and teaching standards are invariably lower. In some cases student demand has not met expectations, presumably because many would-be international students want to leave their home countries to gain higher education in an English speaking country even if this is much more costly than getting a degree at a branch campus.

Nonetheless, there are now more than 200 degree-awarding international branch campuses around the world. After unsuccessful attempts by more than two dozen American universities to establish branch campuses in Japan in the 1980s (crashing with the Japanese economy at the end of the decade), branch campuses have proliferated in the past fifteen years especially in China, because of its scale and rapid development, and Singapore, because of aggressive government policy. INSEAD (business), Chicago Booth School of Business, NYU's Tisch School of the Arts, German Institute of Sci and Tech, Johns Hopkins (medicine), Georgia Institute of Technology (engineering), Stanford, Waseda, SJTU, Cornell and Duke (medical), as well as several Australian universities, all have a significant branch campus presence in Singapore.

Monash University has been the most ambitious Australian branch campus player, pioneered by Malaysia (established in 1998 and with 5,000 students today) and South Africa (2001, with more than 2,500 students today). Monash Malaysia, for example, offers degrees from seven Monash faculties through the six schools at the branch campus. Monash also has a research training focused campus in India. The IITB-Monash Research Academy awards a joint PhD from Monash and IIT-Bombay.

In their 2008 Pacific Economic Cooperation Council report and subsequent book, Christopher Findlay of Adelaide University and William Tierney of the University of Southern California described the “new wave of globalization” where whole institutions have moved into overseas markets primarily driven by commercial motives, i.e. franchised branch campuses.

However, some universities are now thinking about transforming the branch campus model into fully fledged MNUs. Rather than seeking to teach large numbers of international students at competitive prices, these “MNUs” are designing education and research at home, using cheap but high quality labour and infrastructure abroad for their production, selling directly into the markets of their offshore operations, and reinvesting the returns in even more innovative products or cross-subsidising their research programs. While these new operations must be commercially self-sustaining, this is not their *raison d'être*.

In April 2012, Monash announced it will soon open its fourth overseas campus in China. Monash China will be a graduate school and research institute in partnership with Southeast University in Suzhou outside Shanghai, focus on building research capacity, develop industry connections, and teach graduate science and engineering to 500 Chinese students each year - much smaller than its major branch campuses.

Monash China has some MNU-like features (as does Monash Malaysia) and thus may be Australia's first foray into this new wave of higher education globalization as Monash students can move seamlessly across its branch campuses. But it is important to emphasize that the move from a university with a network of foreign branch campuses to fully-integrated “MNUs” promises to be more than a mere evolution of the export model. It will be much more akin to a higher education revolution at the global quality frontier and led by some of America's best known and financially strongest private universities. These proto MNUs of course will maintain their historic headquarters in the US and will fiercely defend the value proposition behind home campus education. Most of

their highest value added work, including governance and strategy, will continue to be done at HQ, and most global revenues will be returned there and remain controlled there.

But the goal of MNUs is to “slice up the value chain” around the world through complex systems of supply, production and distribution of higher education and research. This may mean using a developing country to do research, because it is cheaper to build better infrastructure and hire researchers at similar quality to those at home. Or it might mean designing degrees in-country that are tailored to precisely what the market demands, in contrast with the largely one size fits all of the branch campus system. It might also mean developing whole new brands that leverage the home institution but that can develop independently of it.

Not surprisingly, China and Singapore again loom large. Singapore is attractive to MNUs for the same reason it is attractive as a branch campus host. China is attractive for several reasons: its world leading ability quickly to roll out first class infrastructure; central, provincial and local governments are willing to make large financial commitments to MNU partnerships; Chinese research talent is high quality and relatively cheap; and Chinese demand for quality higher education will continue to mushroom as China transforms its economy from a low quality producer into by far the world’s biggest middle class consumer.

This is not to discount the significant efforts by many leading Asian universities to “westernize” their education. The Korean Advanced Institute of Science and Technology now delivers all its courses in English. Peking and Tsinghua Universities in China are likewise ramping up their respective English curriculums.

And Hong Kong University of Science and Technology is arguably the most “Americanised” of all. A quarter of the faculty is American and the majority of academics hold American PhDs. HKUST also uses a US-style tenure system for academics and is moving to an American model 4-year undergraduate degree with a liberal arts component. Students will be required to take more general education and interdisciplinary units and be encouraged to study abroad – a significant shift away from the traditional specialist approach of Asian universities.

Having laid out this simple model of the internationalisation of higher education, let us now focus on the Australian-led export model that American universities are now trying to emulate and then move to the American-led MNU that Australian universities will have to study closely.

The export model

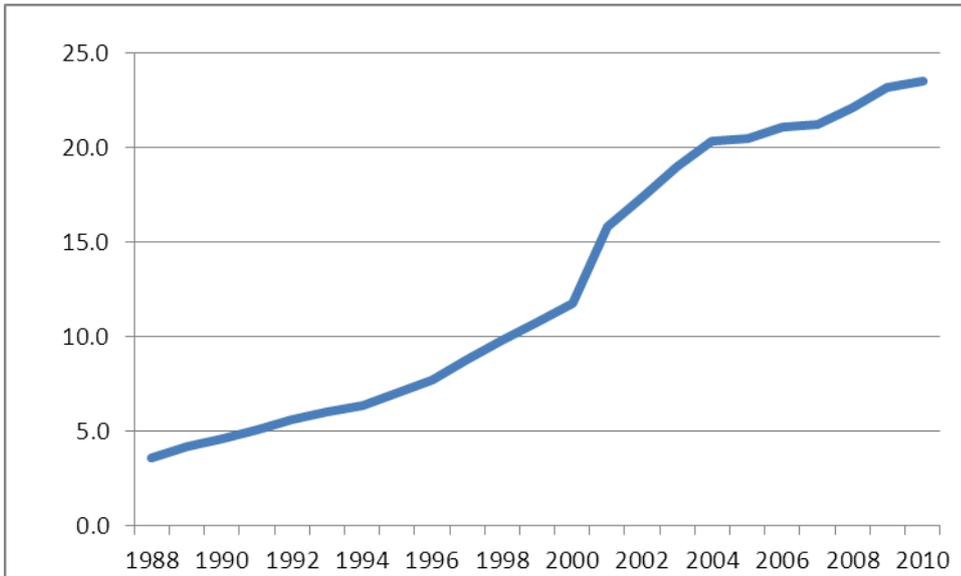
Dramatic changes to government regulations in the late 1980s and early 1990s revolutionized Australian higher education. First, universities were given the ability to: charge international students the market price for their Australian educations; admit as many fee paying international students as they wished; and, keep the revenues generated.

Second, the “Dawkins reforms” converted all colleges of advanced education into universities (much as the UK had previously done with its technical and further education colleges). These new ambitious institutions aggressively sought new revenue sources to fund research (as they were less competitive than established universities for dedicated research funding) and to move up-market in reputational terms as quickly as possible.

With these preconditions in place, the final ingredient in Australia’s internationalisation revolution was the rise of “emerging Asia”. The critical element in this emergence for universities was mushrooming demand in China and elsewhere for higher education, with a preference among the Chinese elite for international experiences particularly in the English speaking world.

It soon became abundantly clear to university leaders that the pent up demand in China-led emerging Asia for Australian university degrees was enormous and very lucrative. All universities, first the former CAEs but quickly followed by the established comprehensive universities (led by the Go8 “sandstones”) began to adopt this new business model—with the incentives to do so turned into imperatives by the substantial slow down and then decrease in public funding for universities (on a per student basis at least) that began in the second half of the 1990s.

Figure 2. International Undergraduate Student Enrolments in Higher Education in Australia 1988–2010, as a percentage of total enrolments

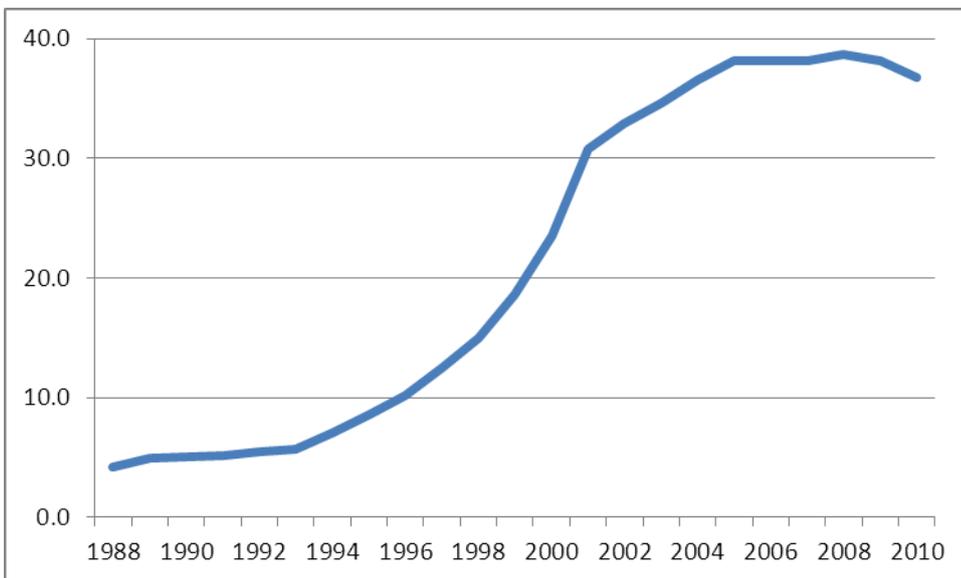


Source: Department of Education, Employment and Workplace Relations (DEEWR) Higher Education Statistics

Between 2002 and 2008 alone, the number of international student enrolments in Australian higher education grew at an average of 12.2% per year, with growth peaking in the last two years before the global financial crisis at 18.5% in 2007 and 20.2% in 2008. If emerging Asian annual economic growth in the 2000s boom was close to an astonishing double digits, growth in Australian “exports” of higher education was jaw dropping—growing twice as fast as the Chinese economy.

Figure 2 tells the story graphically with respect to full fee paying international undergraduates. In 1988, fewer than one-in-twenty undergraduate students on Australian campuses were from overseas. Two decades later, the ratio had shot up to one-in-four, the highest figure for any developed country in the world.

Figure 3. International Postgraduate Student Enrolments in Higher Education in Australia 1988–2010, as a percentage of total enrolments



Source: Department of Education, Employment and Workplace Relations (DEEWR) Higher Education Statistics

Figure 3 shows that this trend toward internationalisation was even more apparent at the postgraduate (non-research) level—where fully 40% of students were foreign nationals in 2010.

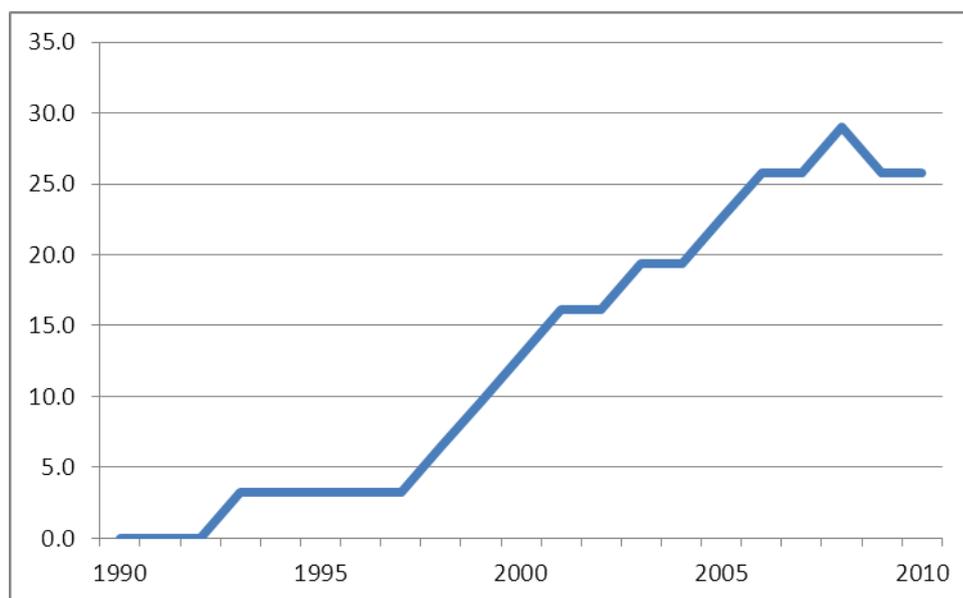
Australia has been a world leader not only in the pure export model of international higher education, but also with respect to international branch campuses. According to the Observatory on Borderless Higher Education in

the UK (OBHE), US universities continue to provide the greatest number of degree-granting international branch campuses (IBCs) at 78, with an average of 371 students at each.

Australia, in contrast, has only 12 IBCs. But Australia educates more students on international branch campuses than any other country (27,545 in 2011), nearly as many as the next two countries combined (UK with 17,733 and US with 13,340). Eight of Australia's branch campuses are in the global top 15 in terms of student numbers, including the two largest anywhere in the world: RMIT in Vietnam and Monash in Malaysia (5,145 and 5,000 students respectively).

Curtin University in Perth has the most extensive domestic and international network with seven branch campuses across the Asia-Pacific region. All the courses offered at campuses in Sarawak, Singapore and Sydney have the same unit structure and study materials as courses at the home campus in Perth, meaning students can transfer between networked branch campuses to complete their Curtin degree—quite similar to the NYU version of the MNU.

Figure 4. Percentage of Australian non-Go8 Universities with an IBC



Source: OBHE

With the exception of Monash, IBCs have been the exclusive domain of non-Go8 Australian universities, because the sandstones have been wary of damaging their quality brands. The first Australian IBC opened in 1992. By 2008, fully 30% of non Go8 universities (that is, 31 universities – see Figure 4) had a branch campus outside Australia.

Figures 2-4 tell a story of two decades of remarkable internationalisation in Australian higher education. It seems clear that this internationalisation has also made possible, with big new high margin revenue streams, a significant rise up the global league tables. Since 2003, Australia has boosted its representation in the Shanghai Jiao Tong University Academic Ranking of World Universities from 13 universities to 19 in the top 500, with five universities in the top 100. Australia is thus now home to roughly 4% of the world's best research universities despite having only a 1.2% share of global gross domestic product and a 0.3% share of global population. Over two decades of minimal competition for enormous Asian demand, Australian universities have built a reliance on these margins to cross-subsidise research programs.

But this very good news story comes with a disturbing negative coda in the past five years. Figures 2-4 betray a severe S-curve shape common to many economic disruptions where the prevalence of a new innovation (in our case international students) overwhelms business as usual (domestic students) - but where there are soon rapidly diminishing marginal returns as the "new" becomes "normal". Growth in international student numbers and international branch campuses slowed down and indeed began to decline in the period since the collapse of Lehman Brothers on 15 September 2008.

The stagnation part of the S-curve could be a function of market saturation—that is demand in Asia has peaked, and/or limits to Australian supply have been reached. It could also be because the Australian export/IBC business

model is now outmoded, for example, because there are new higher quality university entrants from elsewhere in the world (including the MNUs but also “exporters” from Europe and North America) now targeting Asian students in a way with which Australian universities cannot easily compete. The rise of online higher education may also have begun to have an adverse impact on Australian exports.

There is probably some truth to all three explanations. But the conventional story about the problems facing the Australian export model in recent years focuses on three factors that have affected Australia uniquely and negatively:

- The doubling in the value of the Australian dollar over the past decade
- Tougher visa (both student and post-study work) restrictions on international students
- Bad press, particularly in India, on Australian treatment of international students

At the same time as Australian international higher education has been hit by these shocks, the market for international students has become increasingly competitive because more, and higher quality, universities from around the world have begun aggressively to enter the game—led by some of the biggest and best American public universities.

For years many American public universities did not have the ability to make up for significant losses in state government funding with the full-fee revenue from overseas students. Undergraduate places were largely reserved for “in-state” students. While “out of state” (interstate as well as foreign) students paid the market price for their educations, most of the money was kept by state governments rather than disbursed to the campuses educating the foreign students.

Unlike Australia, American public universities have historically responded to decreases in government funding per student by passing the costs on to in-state students and admitting far more of them.

But the global financial crisis has proved such a radical shock to American public higher education—with dramatic cuts to all state, and therefore public university, budgets—that American public universities are quickly becoming very “Australian”. State public universities from New York and Illinois to Washington and California are pursuing the Australian-style export model. By enrolling international undergraduate students by the thousands, budget holes are being plugged and research programs are being cross-subsidised like never before.

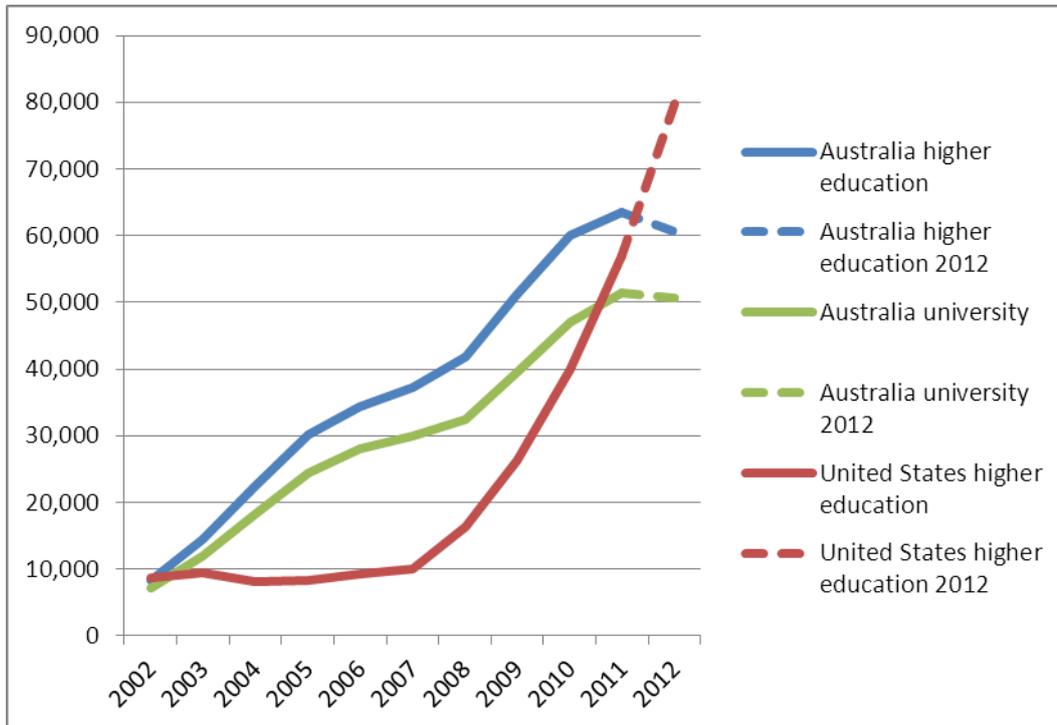
The New York Times recently reported one-in-five commencing undergraduates at the University of Washington (compared with just 2% only 5 years ago) now comes from outside the US, paying about the same for their education as international students in Australia do. Berkeley, Illinois, Indiana, Iowa and UCLA all are now admitting more than 10% of undergraduates from overseas, more than doubling their pre-2008 numbers. By contrast across Australia in 2011, the number of new students at universities dropped by 9%.

These positive rates of change in enrolments at American public universities should be of concern to Australia as they probably represent the beginning of a sharp S-curve rise akin to that Australian universities experienced 15 years ago. At least as important, the best American public universities have quality, scale and reputation to take market share away from their Australian competitors even if global demand rebounds from its post-GFC lows.

In the last few years, the attraction of the United States as a destination for international students has increased markedly among Asian countries. According to the Open Doors report published by the Institute of International Education, in 2010-11 the number of international students at American colleges and universities increased by 5% in total and 6% at the undergraduate level. But there was a staggering 43% increase in the number of Chinese undergraduates on American campuses. The total number of international students in higher education in the US in 2010-11 was 732,277 compared to 242,351 in higher education in Australia in 2011. Given that the US is almost 15 times as large as Australia in population terms, the potential massive upside to foreign students in the US is clear, and alarming from an Australian perspective.

Figure 5 shows in 2012 that the number students from China – Australia’s most important international market – enrolling as undergraduates in higher education across the United States is forecast to surpass the number of Chinese undergraduate students enrolling in Australian higher education for the first time in a decade but with an ever steeper growth curve. Even at the higher quality end of the market, it is worth noting that 2012 is on track to be the first year ever to record a decline in Chinese undergraduate enrolment at Australian universities.

Figure 5. Chinese Undergraduate Student Enrolments in Higher Education in Australia and the United States 2002-2011 with 2012 projection*.



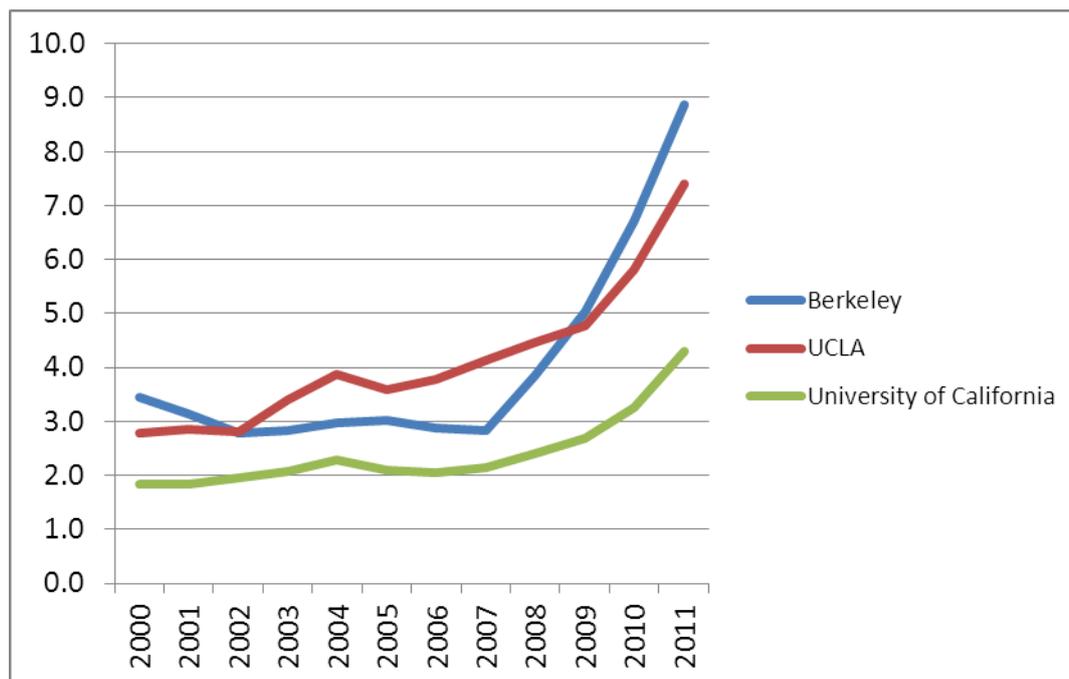
Source: Australian Education International (AEI) International Student Data; US Open Doors Data, International Students, International Institute of Education

* The 2012 figures for Australia are projections based on a comparison of analogous figures for July 2012 YTD with July 2011 YTD, and for the United States the projection is based on the average growth rate of the previous three years.

The private University of Southern California has long been the leading American international educator, with 8,615 international students in 2010-11. But the University of Illinois at Urbana-Champaign is now second (7,991). Other public campuses in the top 10 include Purdue University (7,562), University of California-Los Angeles (6,249), Ohio State University (6,082), University of Michigan-Ann Arbor (5,995) and Michigan State University (5,748).

In 2011, there were 188 US campuses with more than 1,000 international students. Every Australian university probably has more foreign students. But Australia has fewer than 40 universities in total.

Figure 6. International Undergraduate Student Enrolments in Higher Education in University of California, Berkeley and UCLA 2000-2011, as a percentage of total undergraduate enrolments



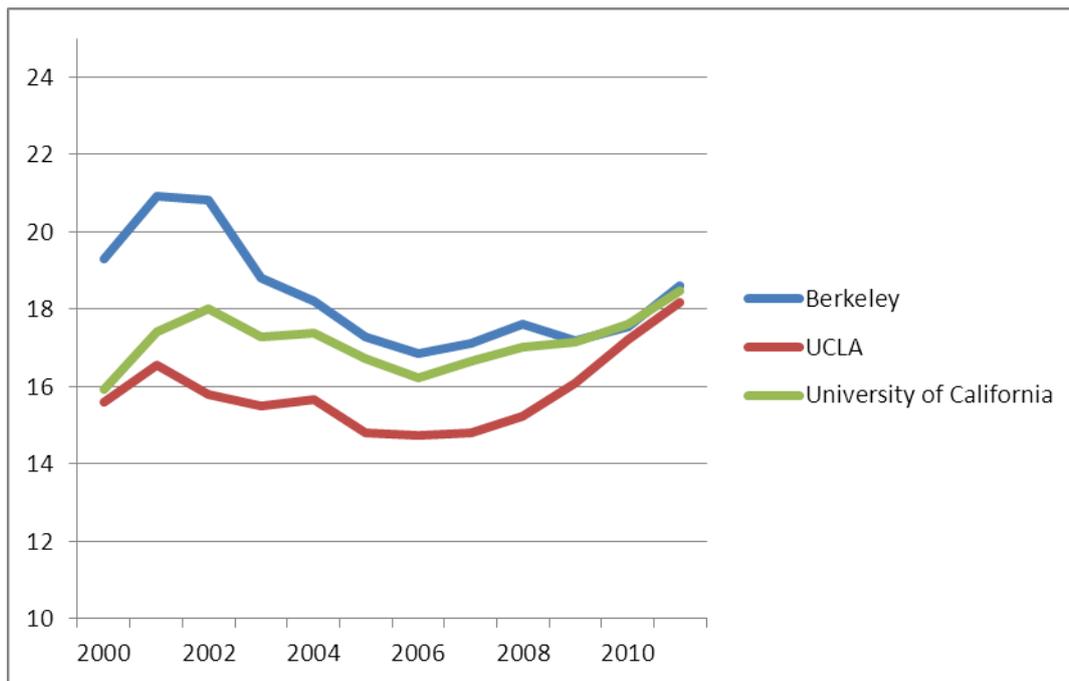
<http://www.ucop.edu/ucophome/uwnews/stat/>

Berkeley and UCLA are clearly two major potential competitors for Australia in the Asian student market, because of their Californian location on the multicultural Pacific Rim and because of their status as two of the world’s best public universities—in a class above even Australia’s top universities such as ANU, Melbourne and Sydney in most of the international rankings.

Figures 6 and 7 demonstrate that this challenge is essentially about undergraduates. Like most elite American research universities, Berkeley and UCLA have long had lots of foreign postgraduate students. But all the growth now is at the undergraduate level—with clear financial motivations and implications even as the universities stress the real educational value of internationalizing their campuses.

The University of California “Commission on the Future” set up in response to the draconian state budget cuts resulting from the global financial crisis recommended a dramatic increase in the number of full-fee paying international students. The Commission set a limit on foreign students at 10% of enrolments over the whole UC system. Figure 6 indicates that total UC enrolment of international students is not yet half way to this limit. The Commission also noted that this cap could be lifted should the Californian state budget position deteriorate further.

Figure 7. International Postgraduate Student Enrolments in Higher Education in University of California, Berkeley and UCLA 2000-2011, as a percentage of total postgraduate enrolments

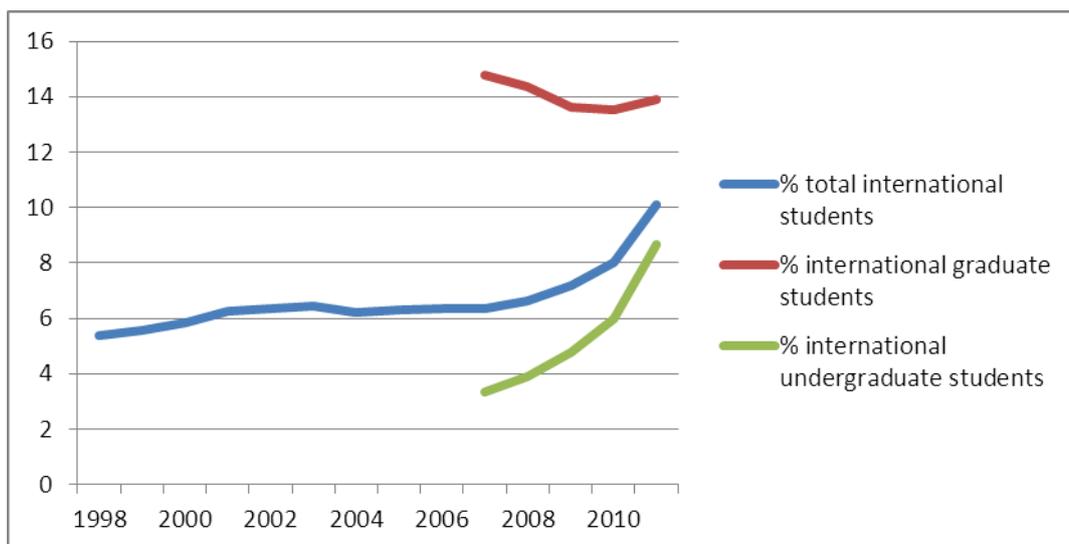


<http://www.ucop.edu/ucophome/uwnews/stat/>

Figures 8 and 9 display the same basic pattern at another major PacRim public university with a global brand at least as strong as Australia’s best, the University of Washington.

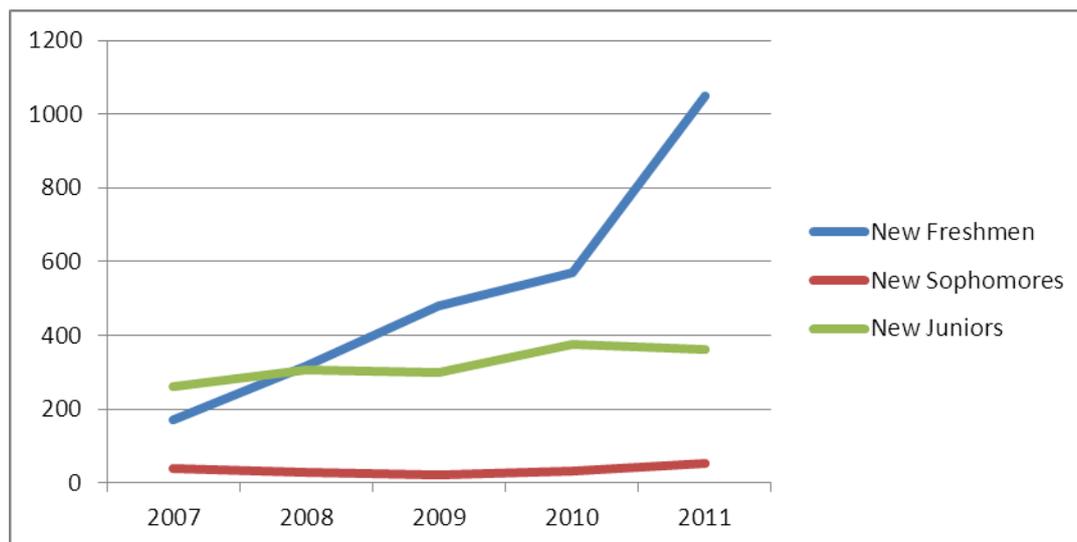
Asian students are attracted by what major US colleges offer. Despite tough academic entry hurdles, the reward is high. From outstanding education to safe residential communities to first class facilities to an extraordinary network of influential alumni and to holding a degree from a university with a global brand, the total package is probably often perceived as of higher quality than that offered by Australian universities. And Asian students are influenced in their education choices by the US-dominated world university league tables.

Figure 8. International Student Enrolments at the University of Washington 1998-2011, with undergraduate and graduate enrolments since 2007, as a percentage of total enrolled students



<http://iss.washington.edu/statistics> (Data for undergraduate and graduate students not available before 2007.)

Figure 9. New International Undergraduate Student Enrolment Numbers at the University of Washington 2007-2011, by class



<http://iss.washington.edu/statistics>

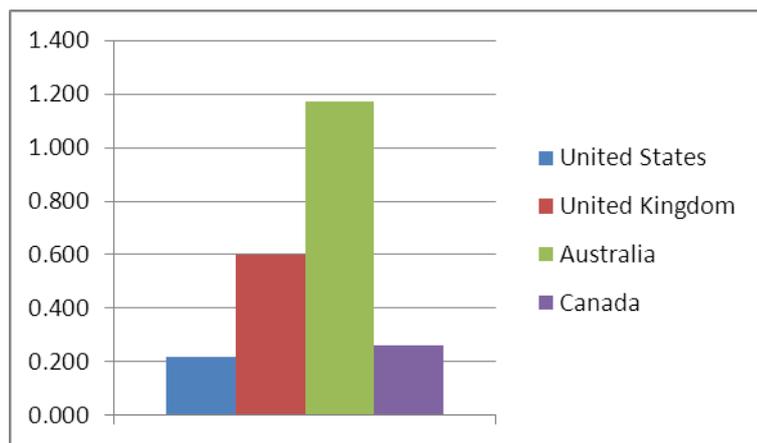
Even the price of American public higher education compared to Australia is becoming more competitive as the long-term value of the greenback continues to decline versus a stronger, mining-fueled Australian dollar.

American competition is likely to come from second-tier universities and colleges, as well as these elite publics. Universities Australia reports that some US universities have set targets of 25% international students by 2015. In addition leading four-year liberal arts colleges in the US such as College of the Atlantic, Macalester, Mount Holyoke, Principia, Westminster have set targets of 15% international students by mid decade.

The growth of international higher education at American universities is not without its own challenges. Increasing numbers of international students in already full public campuses is either at the expense of in-state student places or further eroding student/faculty ratios. Privates might choose to increase the intake of foreign students for strategic reasons, such as access to the best talent, but pushback is likely from alumni who resist the potential tradeoff of places to international students at the expense of domestic ones.

For Australia, while it remains one of the “big fish” in the international student scene, the challenges are likely to be substantial in accommodating more growth in the future—in terms of infrastructure, staff and the like. Australia already has the highest level of international student per capita of comparable English-speaking countries – see figure 10. There are 1.2 international students for every 100 Australians, roughly double the UK as second highest and more than five times the US and Canada. This should signal a serious warning to Australian providers and policy-makers that our main competitor host nation societies have relatively much more capacity to expand their international student recruitment. As one indicator of these capacity constraints, evidence abounds of international students living in scarce sub optimal accommodation in Australia’s major cities, particularly Sydney and Melbourne.

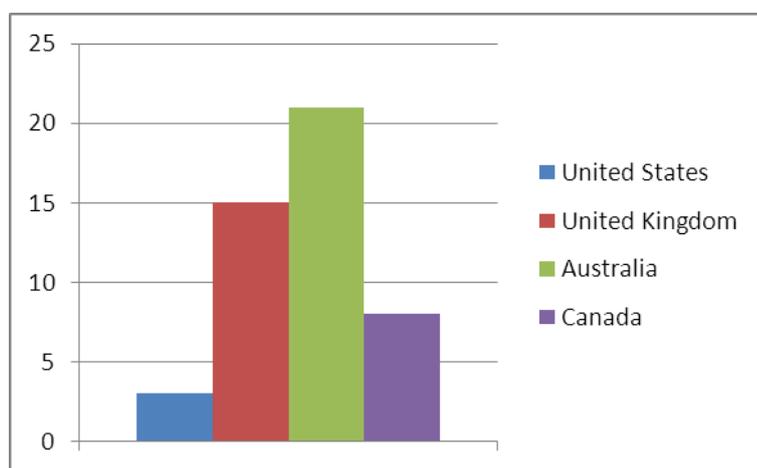
Figure 10. International students per capita population.



Source: UNESCO 2009 data

Based on 2009 data (see figure 11), 21% of enrolments at Australian universities were students from overseas compared to 15% in the UK, 3% in the US and 8% in Canada.

Figure 11. International students as a percentage of total Higher Education enrolments.



Source: UNESCO 2009 data

The data in this section amply demonstrate all the challenges Australia faces from “lateral” competition, principally from high quality American public universities. There is however, another challenge that Australian universities must consider—the rise of the MNU. Today MNUs are more nascent than real, but now is the time for Australian higher educators to anticipate a future they may soon have to contend with.

emergent MNUs

Apple is an icon of contemporary globalization as well as the technology revolution. I-devices are designed in California but assembled by a Taiwanese company in China from components made in Germany, Japan and South Korea as well as the United States. They are marketed and sold to customers all around the world, with the fastest growing markets now the new middle class in emerging Asia. iPhones and iPads are generating unprecedented profits for Apple employees and shareholders in America.

Apple’s slicing up of the global value chain is a far cry from the Ricardian international economics world of products made in one country but sold in another. Until very recently, however, universities have been stuck in the Ricardian paradigm—the export model discussed in the last section.

It is important to note that the MNU model is neither a disaggregation of a university’s core research and education activities nor a direct revenue raising business model. For instance Duke is not replacing its Durham medical school with one in Singapore to take advantage of lower labor costs. Duke-NUS Medical School, however, is a strategic add-on to the Durham operation with its separate but complementary program. Duke

can experiment with new models of research and education in Singapore and the value taken back to Durham is measured by importing successful innovations rather than any direct financial benefit. Further, the connectivity between Durham and Singapore signifies that Duke is choosing to allocate research activity according to comparative advantage; research is being organized in a supply chain model.

There is, however, a fundamental problem with the “higher education as export” business model. If, as seems increasingly likely, the increase in supply of higher education (not only from American public universities but also Asian institutions and online providers), this will lower the global market price for higher education. The big winners from supply outstripping demand will be consumers of higher education in developing countries. But the potential of this outcome poses a major financial and reputational threat to campus-based universities in developed countries shackled with high fixed costs for staff and infrastructure, as a recent British Council report makes clear (see Appendix 1).

MNUs are one response to this challenge, designed to move up the value chain rather than to compete on price - as pure exporters of higher education will inevitably have to do. Britain’s Liverpool and Nottingham Universities were first movers in establishing early versions of MNUs. Nottingham runs the oldest branch campus in China at Ningbo. Based on the commitment it had shown to China, it was invited to build a research-focused campus at Pudong in Shanghai with the aid of a wealthy Chinese philanthropist. This joins Nottingham’s comprehensive university in Malaysia, which offers courses in the arts, social sciences, engineering and sciences and pursues thirteen research priorities.

Xi’an Jiaotong-Liverpool University (XJTLU) is a partnership between the universities of the same names and funded by Laureate International Universities, a for-profit provider. XJTLU was founded in 2006 and now enrolls more than 5,000 students with an aim of 10,000 by 2015. Located in Suzhou, XJTLU offers 23 dual degrees from the two parent universities with a strong focus on learning in English. Research priorities focus on many of the challenges facing China, such as sustainable urbanization, energy futures, health technologies and nanotechnology and new materials. The Laureate-XJTLU strategic alliance focuses on international collaboration and ongoing educational opportunities, indicating more private providers might be attracted to funding MNUs.

More recently notable among American institutions such as Duke, MIT, NYU and Yale, are similarly seeking to leap over this trade phase of higher education internationalisation—and the diminishing marginal returns now biting among higher education exporters—by moving directly to the university analogue of an Apple-like MNC.

These nascent MNUs are headquartered on their historic American campuses and, like Apple, keep the highest value added parts of their business, and most of the money generated, at home. They have long relied heavily on academic talent drawn from other countries, the equivalent of Apple components normally considered in the university world “brain drain” or “brain gain” depending on whether you are in a sending or receiving country.

But MNUs are increasingly experimenting with teaching and research collaborations with local partners in emerging markets that combine the American parent’s expertise and brand credibility with financing and infrastructure—as well as human capital—supplied by their local partners. Think Apple changing its China strategy from mere assembly in China to developing and selling products there too (as it is now doing with great success). The potential upside for MNUs is clear. Their products will improve, their brands will globalize, and their bottom lines will strengthen—all by leveraging the global value chain made possible by the broader forces of globalization.

This MNU move is potentially of profound importance for Australian universities, potentially pushing them downmarket to compete mostly on price and to maintain by admitting more, inevitably lower quality, students. Might Australia avoid this dire scenario by adopting and adapting the best attributes of American MNUs? Our answer is a qualified “yes”. MNU-izing some Australian universities would require rapid, radical and smart innovation. There is some reason for optimism, however, based largely on how quickly and thoroughly the export model became Australian standard practice.

The MNU model

In his letter to the faculty of Yale University in New Haven, Connecticut on the merits of the proposed new Yale-NUS liberal arts college in Singapore, President Richard Levin said “we do believe it is inevitable that the world’s leading universities by the middle of this century will have international campuses.” Levin didn’t mean “branch campuses” in the sense we discussed in the previous section. And he didn’t have to say that most of these campuses will be in emerging Asia and in partnership with Asian institutions.

To be sure, government controlled oil and gas money has attracted many universities to the Gulf states of Qatar, United Arab Emirates and Saudi Arabia over the past decade. But these ventures remain almost completely

dependent on host government financial support rather than local market opportunities and available talent. Emerging Asia is different, with the prospect of more than a billion new middle class consumers who are technically skilled and increasingly English literate offering the potential to revolutionize the world of higher education, just as it is already revolutionising so many other consumer markets from electronics to finance to automobiles.

In this section, we discuss four emergent MNUs:

- New York University is establishing a campus in Shanghai in partnership with East China Normal University as part of its global network university
- Duke University is partnering with Wuhan University west of Shanghai to establish the Duke-Kunshan University (DKU)
- Yale University is partnering with the National University of Singapore to establish what they are calling the liberal arts college for the 21st Century
- MIT is a founding partner of the new Singapore University of Technology and Design with Zhejiang University from China
- Duke University reports four main reasons for wanting to operate in Asia: expand the university's presence and project its prestige into emerging Asia; recruit international students and faculty; engage with Asian scholarship and industry; and facilitate exchanges between American and Asian students.

There is also much to gain in the credit claiming game for global leadership in higher education. Duke's Kunshan initiative is driven by the motivation of being the only top American institution with a true joint venture in China. Yale is driven by the potential to influence the course of 21st century liberal arts education as profoundly as it influenced education in the 19th century. For MIT, SUTD is how MIT would be designed if it was established today. NYU envisages a world in which the best students from all over the global can move seamless among its network of campuses spanning all the major continents.

But there is much going on in these MNUs beyond higher education leadership and the sometimes breathy marketing hyperbole that goes with it. Each MNU is designed to generate unique competitive advantage that will enhance the quality, reputation and financial position of each American university, while giving their Asian partners the ability to access talent, knowhow and credibility that it would take at least decades for them to develop themselves. The glue that makes it all work is the willingness of the Asian partners to underwrite and bear most of the financial risk of these MNUs.

China and Singapore are willing to make large MNU bets on big name universities because they believe that they will be essential to the diffusion of world class higher education know how into their countries—MNUs today, but global quality local universities tomorrow. Again, there are clear parallels with China's encouragement of MNCs to develop partnerships with local companies today with a clear view to creating China's own "global champions" tomorrow. Their value proposition will encompass education of a high quality at an affordable price, world class research in world best facilities using local talent that is already globally competitive (notably through a "reverse brain drain"), outstanding career opportunities in the economies of the region, and allowing students to remain close to the family, friends and home that are so central to many Asian cultures.

Due diligence and capacity building on the ground have been a central feature of the strategies of American universities long before opening their MNUs. Indeed, there seem to be four preconditions for developing an MNU:

- Long-term presence in the region
- Practical operational experience in developing countries
- Employing the right people on the ground from the outset
- Building a trustworthy partnership with the right local institution (university and/or government)

Before being approached by Singapore to consider being a partner in the new Singapore University of Technology and Design, MIT had had over a decade experience on the island nation. The Singapore-MIT Alliance is a self-described "innovative engineering and life science educational and research collaboration" between MIT, the National University of Singapore (NUS), and the Nanyang Technological University (NTU) in Singapore.

Yale University established its Yale-in-China program in 1901, and today it has expanded into new areas and programs beyond the historical bases of Hong Kong, Changsa and Wuhan. Yale also has joint research centres with two of China's top universities, Fudan University in Shanghai and Peking University in Beijing.

New York University Tisch School of the Arts Asia opened in Singapore in 2007 as the university's first degree-granting campus outside New York City. In Shanghai, NYU has had a presence since 2006 when it established a study abroad site with East China Normal University. In doing their due diligence, Chinese authorities were impressed that NYU's experience in Abu Dhabi gave it the know-how essential for NYU Shanghai to succeed.

Duke University established the Duke-NUS graduate medical school in Singapore in 2007. Duke learned from a failed Johns Hopkins University gambit by using an initial five-year period to ensure the partners worked through any differences and completely aligned expectations. The Duke-NUS partnership has enhanced Duke's reputation among top medical educators across Asia, deepened Duke's expertise in fields such as emerging infectious diseases, and provided a point of connection to other research sites, such as in India. In China, Duke entered substantive discussions with Wuhan University in 2007, 6 years before DKU will open its doors in 2013.

Let us now consider how each of our four exemplar proto MNUs is designed to work and what they are expected to do.

NYU Shanghai

NYU Shanghai is the next phase of New York University's "global network university" strategy. It will be NYU's third "portal campus" alongside NYU New York and NYU Abu Dhabi where students from different continents can begin NYU degrees (supplemented by 13 study abroad sites including Sydney where existing NYU students can study). It is designed to teach 3,000 undergraduate, graduate, and professional students who will be able to take classes at any of NYU's global sites and who will be awarded regular NYU degrees.

NYU plans to enroll 300 undergraduates for its first year, with 51 percent coming from mainland China. Chinese students will be accepted based on a combination of their performance on China's national entrance Gao Kao exam and an NYU screening/interviewing process. All classes will be taught in English. NYU Shanghai students will be able to spend up to three semesters on their campus of choice throughout the NYU global network.

NYU's Stern School of Business will offer a new Master of Science in Business Analytics as the inaugural degree to be offered at NYU's downtown Shanghai campus. Business Analytics is being touted by NYU as a new discipline that links business and technology, and leverages the use of data as a strategic business asset and decision-making tool—the first of its kind, according to Stern. The program will target English-speaking Chinese executives and expatriates working in China.

DKU

Duke Kunshan University (DKU) is a partnership among Duke University headquartered in Durham, North Carolina, the city of Kunshan in Jiangsu Province, China, and Wuhan University, the oldest comprehensive university in China. The state-of-the-art DKU campus is now under construction on a 200-acre site within a 1,700+ acre science and technology park in Kunshan—fully funded by Chinese authorities in terms of capital expenditures, with Duke only required to contribute to operating costs. Located near Shanghai and Suzhou, and connected to both by high-speed rail, the city of Kunshan is a centre for business and high-tech research and manufacturing that has one of the fastest economic growth rates in contemporary China.

DKU will offer a range of degree programs for mostly Chinese students with an initial focus on business. It will leverage the global quality of Duke's Fuqua School of Business but tailor its programs to address local needs by working closely with the Chinese Ministry of Education. DKU business degrees, for example, will offer classes focused on improving service delivery in the Chinese health system—a major goal of China's new 12th five-year plan, and thereby creating value for Duke in terms of soft power with the Chinese government, future alumni and their networks, as well as targeting a key development need of the now middle income country. DKU's quasi-professional one-year degrees such as the Master of Management Studies, Master of Global Health, Master of Chinese Resources and the Master of Health Informatics, with each having offshoots into executive education courses, are a lateral move. These programs expand the market segment without changing how they compete.

A centerpiece of DKU will be its Innovation Centre (pictured below), conceived as incubator of new education and research models housed in experimental teaching spaces and wet and dry research labs, allowing Duke faculty to tailor and test their programs before they are offered in the Chinese market.



Its Wuhan partnership will enable Duke to develop the know-how to meet the rapidly changing demands for higher education in China, while at the same time increasing the China expertise and influence. Duke will also gain a valuable revenue stream to reinvest in DKU or repatriate to Durham.

Yale-NUS Liberal Arts College (YNC)

YNC is being hailed by Yale and NUS as a new model of liberal arts undergraduate education for the 21st century and tailored to Asia’s needs—with Singapore absorbing all the costs of rolling out the new venture and incremental revenues then to be shared between the two partners. The pedagogic aim is to prepare students with the critical thinking, communication, collaboration and leadership skills needed to tackle the multidimensional and rapidly changing challenges and opportunities facing business, government and NGOs today. While Asia is renowned for the technical skills of its human capital base, these interpersonal skills are often seen to be in short supply. YNC is designed to meet this critical market need.

YNC is developing an entirely new liberal arts curriculum. For instance, its first-year humanities course will draw equally on Asian and Western literary and philosophical traditions, with the intention of then offering such a course at Yale’s home campus in New Haven. There will be a strong focus on interdisciplinarity with two courses focused on current issues that bring together science and social sciences, and a capstone research component in the fourth year.



YNC will be located in “University Town” (pictured above) at NUS where all its 1000 students will live in residential college communities, as is the case for Yale students in New Haven. The majority of the 250-student intake each year will be Singaporean and will be expected to do a professional placement with an internship partner for 8-12 weeks over summer. YNC has recruited more than 40 founding internship partners from

American Express in New York to Coca Cola in Atlanta to Sino-Land in Hong Kong to Microsoft in Singapore. YNC students will also be able to do exchange programs with Yale in New Haven.

Singapore University of Technology and Design (SUTD)

The Singapore Government in collaboration with the Massachusetts Institute of Technology headquartered in Cambridge, Massachusetts and Zhejiang University, a member of the elite C9 League and based in Hangzhou is establishing the Singapore University of Technology and Design. SUTD is conceived as a living laboratory of interdisciplinary education, self-directed conceptual learning and real-world experience. Students will be organised in small learning communities, nurturing the skills and creativity required for innovation, leadership and entrepreneurship. The Chronicle of Higher Education reported that this initiative is being funded \$700 million by Singapore; SUTD aims to produce the next generation of pioneers in architecture, engineering and information systems. The president of SUTD describes SUTD as how MIT would be designed if it started from scratch today.

SUTD takes an outside-in approach, meaning that the focus is first and foremost on producing the graduate attributes required for a great job in the global marketplace. This means emphasizing personal attributes and interpersonal skills at least as much as technical knowledge. Internships with top corporate partners are a core component of SUTD. So too is student exchange with MIT in Cambridge and Zhejiang University in China.

MIT will develop 103 undergraduate subjects for SUTD, and both universities will offer a dual Masters degree and a postdoctoral fellows program. SUTD faculty will undergo training in MIT and MIT academics will co-teach at SUTD. The research at SUTD takes on a multidisciplinary approach, as exemplified by the establishment of the International Design Centre in collaboration with MIT, which is focused on 3 “grand challenges” (sustainable cities built environment, design for the developing world and ICT-enabled devices for better living) and 6 “design thrusts” (information, computation, visualization, fostering creativity, concept selection and global hub). Zhejiang University is charged with developing and co-teaching 5 electives in Chinese culture, entrepreneurship and design. SUTD’s research collaboration with Zhejiang University will focus on energy, healthcare, environment and transportation, all central to both Singapore’s and China’s future prosperity. 100 SUTD students will undergo their exchange at Zhejiang University yearly with the opportunity to intern in Chinese organizations and MNCs.

The branding of SUTD is different from the other MNUs. SUTD is “established in collaboration with MIT”, but its degrees will not bear any MIT stamp.

Managing the Brand

Any elite university’s name is its most important asset, and a degree bearing its name is its most valuable product. A global reputation is a proxy for quality and helps attract and retain the best students and faculty as well as be a magnet for financial support from gifts, grants and contracts. Protecting a university’s brand is therefore essential, and not to be compromised at any cost.

The decision of an elite university to become an MNU through a strategic partnership with another institution in another country—signing over their name to a new institution and new degrees—is therefore a difficult and major one. A decade ago, for example, the University of Pennsylvania’s Wharton School of Business drove the establishment of the Singapore Management University but chose not to attach the Wharton brand to the new venture.

MIT went further several years later in allowing SUTD to say it was “established in association with MIT”. Duke and Yale are going further still by putting their names on their new Asian JVs. But only NYU went so far as to offer fully-fledged NYU degrees for Shanghai-based classes where DKU offers DKU degrees, Yale-NUS offers NUS degrees.

There certainly is a correlation between prestige and naming. Yale and MIT can probably afford to be more cautious in how their names are used in order to minimize the risk to their reputations, on the one hand, and to maximize the benefits (funding, infrastructure, marketing) they expect from local partners. In the rarified “top 20” air of American higher education, they have even stronger brands, and bigger endowments, than Duke and NYU. In contrast, Duke and NYU have vaulted to national and international prominence in recent decades without having the time yet to translate this prominence into endowment bottom line or world best brands.

Despite this variation, the four universities undertaking MNU experiments that are analyzed here must all project benefits from these initiatives that exceed the reputational risks involved. We do not intend to second-guess these decisions here, but rather focus on their strategies for maximizing the upside of their MNU gambits.

Kris Olds from the University of Wisconsin-Madison argues it is better for an institution to engage itself fully in the foreign partnership and embed itself in the fabric of its host city and country. In his blog on the Insider Higher Ed website he says, “Being present while being absent provides some latitude of freedom to reduce risk, and cost, but as INSEAD’s presence in Singapore demonstrates, there are a myriad of (sic) rewards to being present.”

At its core, value creation in these international ventures is dependent on developing deep local relationships based on trust. To do this, Olds cites the importance of being seen to be contributing on the ground, to share and be seen to be sharing costs, and “to be demonstrating a medium- to long-term level of confidence in risky experiments in global higher education”.

NYU is hardwiring itself into each of its foreign jurisdictions, including Shanghai. Its President John Sexton believes the right approach is to be fully embedded in the partnership and host city. In effect the best way to protect NYU’s name is to put it at risk but to ensure everyone at NYU is responsible, and cares for, the success of each NYU international venture.

Duke is partly funding operating costs of DKU for the first five years with the goal of making the programs self-funding and viable in the long-term. In contrast, Yale has sold its name but Yale-NUS offers NUS degrees, employs NUS faculty and NUS underwrites all costs. Yale has leveraged its prestige to ensure Singapore covers almost all of the venture’s risk, while ring-fencing Yale’s input to curriculum development and academic oversight. While Yale has gained significant start-up benefit, the question will be whether it is invested enough on the ground in Singapore to ensure the value created over the long term will be worth the effort and the risk to reputation.

Duke and NYU are also offering executive education courses for government and business, not only hardwiring connections to China’s elite but also adding a profitable revenue stream to their more conventional academic degree programs.

The failed UNSW Asia and Johns Hopkins University medical centre experiments in Singapore shed some insight into lessons learned. UNSW Asia – an ambitious MNU-like campus of the University of New South Wales – closed after only one semester in 2007 due to poor student enrolments. The JHU venture was to focus on biomedical research, the training of doctoral students and provide clinical services in oncology. But it ended because JHU was not able to deliver on 8 of 13 key targets, including only being able to attract junior researchers instead of the promised reputable scientists.

Further to the west in the Gulf States, Michigan State University’s two-year experiment offering undergraduate education in booming Dubai ended in 2010. Michigan State President Lou Anna Simon said the school just could not attract the critical mass it needed, enrolling less than a third of the expected minimum numbers of 100-150 students. MSU Dubai also opened just before the start of the global financial crisis, but its star faded as quickly as it rose. Inside Higher Ed reported that Michigan State’s partners in Dubai did not provide an additional \$3.4 million in anticipated support for fiscal year 2010, which Michigan State’s foundation had to fund instead.

In all these ventures there was a breakdown in the relationship between both foreign institutions and the funding government when their respective rollouts failed to meet the original plans. This reinforces the NYU and Duke approach to minimizing risk by being as fully engaged and embedded as possible at all levels in the host city and country. That being said, and while there is significant negative media attention around such failures, the reputations of both universities have proved resilient.

Elite US privates wishing to pursue an MNU strategy must contend with several constraining factors such as concerns over quality of students, complex governance arrangements, navigating different legal jurisdictions and layers of government, settling tricky financial negotiations over start-up costs and revenue sharing, academic freedom—not to mention the complex challenges of operating campuses on opposites of the planet. That several leading US institutions have embarked on such ambitious projects suggests that they view the strategic, economic and reputational returns as being high.

China, and increasingly India and Indonesia, recognizes the calibre of its indigenous higher education can be improved through deeper engagement with foreign universities. These countries are very cautious, but they know the prize is the transfer of western know-how to their institutions. The Chronicle of Higher Education reports The Chinese Ministry of Education’s vision is that foreign university joint ventures should provide a clear model that Chinese institutions can emulate in their own internal reforms. According to speeches by party

officials, the Ministry is now inviting up to 10 leading international universities to partner with leading Chinese institutions.

Despite the Indian government now being doubtful that its Foreign Educational Institutions Bill can be passed, the government is considering “backdoor” entry options to foreign institutions. The revised intention of the Indian government is to allow the entry of higher quality foreign universities given the proposed entry test focuses more on the foreign partners’ world ranking rather than its financial resources. Indian public universities lack the financial resources to attract foreign partners and are hindered by bureaucracy. It is the private institutions and corporate partners in India who are more likely to engage in partnerships with the foreign public universities. For example, a partnership between Indiana University and the private OP Jindal University commenced in October 2010, with a focus on law, business, and public and environmental affairs and offering faculty and student exchanges, joint research and joint degrees.

In contrast to India, in July 2012, the Indonesian parliament passed its Higher Education Bill, giving foreign universities the chance to open branches in the country. The central objective is improving the quality of higher education in Indonesia. To ensure Indonesian religious and cultural values are upheld, foreign universities operating in Indonesia would come under government control. The intent of the legislation is to give Indonesian students the opportunity of pursuing a low-cost university education of international standard at home rather than having to travel overseas. Foreign universities are allowed to set up branches and independent research centres in the country, in partnership with an Indonesian university with the proviso the joint venture hires Indonesian academics and staff.

This is a significant step towards long-term opportunity on the world’s largest archipelago. Indonesia needs to rapidly build the capacity of quality higher education as a first-order priority. The Indonesian government does not have the resources of China to attract leading foreign institutions, so it is expected that joint ventures will need to be largely self-financing.

Rutgers University, based in New Jersey, might offer Australian universities an insight into the economic potential of MNUs. Rutgers is currently considering a generous Chinese philanthropic gift to supply the land, construct a state-of-the-art campus, and provide the start-up operational funding to create a campus on Hainan Island in China. The joint venture would build on Rutgers existing partnership with the South China University of Technology with the aim to build a 5000-student campus. The motivation for Rutgers is clearly mapped out in a resolution passed by its faculty council: enhancing Rutgers global brand, a permanent presence in soon-to-be-world’s-largest-economy China, education and research opportunities, and “building a stable pipeline of top quality, fee-paying students (undergraduate/graduate) to Rutgers”.

It is still too soon to tell whether MNUs will revolutionize international higher education in the 21st century the way MNCs revolutionized global commerce in the 20th century. But it is clear that something major is afoot, and all universities will have to watch closely how these MNUs evolve and decide how to respond.

Australian Challenges and opportunities

The previous two sections describe a “perfect storm” battering Australia’s export model of higher education:

- Diminishing marginal returns from a well established export model, the classical downside of the innovation S-curve
- Unique Australian factors of the high dollar, bad press, and visa tightening
- The post-GFC entry of major American public universities into the market for Asian undergraduates coupled with slower demand growth in these markets
- The emergence of proto MNUs seeking to leap over the export phase to realize higher rates of return

Beyond these big structural factors, there is a widespread perception that overseas students are merely a cash cow for Australian universities. Lack of public transport concessions in NSW and Victoria continue to make international students feel they are second class citizens. A paucity of affordable, safe and proximate housing in Sydney and Melbourne, where the cost of living is very high by world standards, condemns many students to cram themselves into overcrowded poor rental accommodation.

No matter how you slice it, the four pillars of Australian universities’ competitive advantage in the global market are eroding:

- Affordability – the AUD reached parity with the USD in early 2010, significantly diminishing the price advantage

- Safety and security – the attacks on Indian students in Melbourne, and on Chinese students in Sydney, exacerbated by the apparent dismissal by some authorities of some attacks as not being racially motivated
- Quality – the dramatic growth in the very large number of Asian students in some programs is widely seen to have diminished their quality
- Residency pathway – the immediate and unexpected changes to residency visa qualification in 2010 by the federal government created enormous uncertainty (subsequently partially reversed following the Knight Review)

The Knight review signaled Australia will now give preference to higher achieving students (destined for higher skilled jobs) for residency consideration. But with the momentum of global job opportunities decidedly shifting towards Asia, such new residency pathway policies that are designed to regain Australia's competitive advantage in the export market are likely to become less attractive to Asian students if their future jobs are going to be closer to home. Australian universities need to start considering other ways to create competitive advantage in the global marketplace for international students and not just rely on policy measures.

How should Australian higher education respond? There are three basic possibilities, in increasing order of desirability, but also of difficulty:

- Move downmarket, by competing more on price
- Move upmarket, by competing more on quality through improving the "on campus, in class" experience for both domestic and international students, combined with increasing experience opportunities such as internships
- Move to the global frontier, by MNU-izing some Australian universities in a longer-term strategy for global competitiveness

Downmarket moves

Without changing their value proposition to international students, the entry of elite US public universities into the global market will inevitably force Australian universities downmarket. This trend will likely be exacerbated as the new entrants learn from and improve on Australian universities' long-established business models. Going back to our Apple analogy, it is a phenomenon akin to the introduction of I-devices forcing "non-smart" technology downmarket to lower price/higher volume, such as Nokia in Africa.

There may be ways for Australian universities to compete on cost, however, without harming quality. Texas has implemented \$10,000 bachelor degrees for non-state students in a bid to increase enrolments and drive the economy in regional areas. In an analogous way, Australian regional universities could similarly attract more international students outside the big metropolitan areas, say at a cost of \$15,000 pa rather than the \$30,000 floor in the big cities.

The \$15,000 pa regional-university bachelor's degree could be built on cost containment while maintaining quality. These degrees could either focus on a regional university's disciplinary strengths to shore up these programs' future (e.g. agriculture, food security, resources, rural and regional health). Or they could be more general arts, science and commerce degrees. Offering programs that were no-frills with minimum choice/prescribed options, and fast-tracked, would contain costs.

State governments could work with their regional universities to promote regional cities as a destination for price-sensitive international students who want a western education.

Upmarket moves

Moving upmarket to compete on quality will be essential for Australia's leading research universities to ensure the long-term sustainability of their high-cost business models. "Moving upmarket" does not mean Australian universities now need to offer equivalent value propositions to compete with Berkeley. Rather they need to ensure their continued differentiation within their market segments along quality lines. Continuing to attract the highest possible quality international students helps reinforce high academic standards, reduces churn, minimizes student support costs, provides the best possible talent pool for research students, and adds greater value to a university's alumni network.

As the higher education systems in Australia's source countries grow in capacity and capability, higher quality students will increasingly choose to study closer to home. Elite American universities will always be able to attract the best students through scholarships and the opportunities of a prestige education.

But there are some obvious ways for Australian universities to increase their competitiveness.

Internships: experiential learning is in high demand from international students to make them more attractive to employers. By offering more experiential learning, and integrating these opportunities into degree programs, Australian universities could significantly boost the value proposition for international students. These need not be in the private sector. State governments, for example, could play a key role in providing internship opportunities for international students within the bureaucracy (partially offsetting the downsizing common to post-GFC governments). Governments could vet and identify intern sites in the private and non profit sectors while universities would select and supervise students and integrate their internships into in-class based degrees with full credit.

Integrated study abroad: The US Studies Centre has developed what we call integrated study abroad. This program sends groups of undergraduate students to the US to study alongside their American peers and live in dormitories with them. Programs focus either on study or on study/internship opportunities for credit within their Australian degree programs. The Centre has developed three programs in Washington and LA through the University of California, which will benefit 80 Sydney undergraduates each year. The demand for these programs is very strong and could be expanded to include high performing students from across NSW, or potentially nationally, and could be a significant selling point in attracting high quality students from other states and overseas.

Writing program: Based on the Duke Reader Project, writing programs could be developed to offer international students the opportunity to get feedback from someone outside the classroom on a writing project relevant to their education. The feedback would be from volunteer "readers" drawn from for example the state public service and a university's alumni base. The aim of the program would be to help improve the written English communication skills of international students for a project they are working on. It could be technically focused or more general expression. Volunteer members of the state public service and university alumni would play a direct role in helping international students not only improve their communication skills but be a touch point for connections outside the university.

Residential living: By and large, Australian universities are commuter campuses where students live at home; in contrast to the residential programs for many undergraduate students at most major US universities. To encourage better integration of domestic and international students through residential housing and student communities, Australian universities should adopt long-term strategies to develop more residential opportunities for domestic students, as well as providing more accommodation for international students.

Housing should be based on a student's personal interests, rather than whether they are international or domestic. Indiana University, for instance, arranges its residential housing in "learning communities", as does UC, San Diego. At Indiana, there are 20 different learning communities focused on interests ranging from computing to health sciences to outdoor adventure to performing arts to religion. Other themes include "global village" and "fitness and wellness". The benefits from integration of international and domestic students work both ways. The isolation often experienced by international students can be minimized while Australian students can develop lifetime friendships with their international peers through mutual personal interests. The potential long-term value to the student in an increasingly globalised marketplace, and to the university through stronger alumni networks, is a win-win. State government policy to support development of greater residential housing opportunities for universities is essential.

Interpersonal skills: University teaching will need to move from the traditional model of lectures read out loud to facilitating learning communities and the development of soft skills among all students. Business schools, particularly in executive education and MBAs, have led the way with a focus on leadership skills and critical thinking in de-centred and student-focused learning environments. These principles can and should be suffused throughout universities, even though the challenges of scaling and adapting programs for working professionals to suit the needs of full time students are real. Nonetheless, it is clear that it is interpersonal skills that are in shortest supply and greatest demand among emerging leaders in Asia, and Australian universities will have to rise to the occasion if they are to protect the market shares built in the past two decades.

Government policy: Given the importance of higher education exports to the economies of Australian states, whole-of-government strategic policy making at the state level is essential. However, government policy should go further than viewing international students for their economic potential and must recognize and embrace them as enriching society.

Trade mission: Given Australian universities two decades of educating Asian students, and given the long-term strategic importance of higher education to both Australian and Asian economies, future Australian trade delegations (e.g. led by a state premier or federal minister) to the region should consider having a specific focus on the future of higher education. The delegation could provide a platform for dialogue between government leaders and university vice-chancellors and presidents from Australia, Asia and Asian-based US universities.

MNU-izing Australian universities

Hardwiring into China: To pursue a full-blown MNU strategy – as per the endowment-rich elite US institutions described in this report – might be a bridge too far for most Australian universities. Nonetheless, these universities will be well served by developing long-term strategies of hardwiring themselves into China, and diminishing their reliance on the export model.

There are at least four reasons to do so:

- by 2020, China aims to double its inbound international students to more than 500,000, in direct competition with Australia, the US, Canada and UK
- between 2007 and 2030, McKinsey projects that 30% of the world's global *growth* will occur in 242 Chinese cities, compared with only a forecast 3% to be generated in India's cities
- China could have a deficit of up to 23 million tertiary-educated workers by 2020, partly due to demographics, partly due to insufficient higher education capacity, partly due to poor quality institutions
- Within 15 years, China's population will begin to decline; its labour force has already peaked (both the product of rapid development and the one child policy). To avoid the "middle income trap", China will need an ever more highly educated workforce to drive productivity

Australian universities can pursue pro-active MNU-like initiatives as stepping-stones towards hardwiring into China, and at a pace that manages risk levels. They should target mid-tier Chinese cities with growth momentum and partner with established Chinese universities with the aim to seed education and research initiatives to benefit China. Australian universities should work with the local institution, local and provincial government.

We propose a long-term two-phased approach, the first developing human connections, and the second to build physical plant.

Phase 1

- establish or expand double degree programs with the local Chinese university, with exchange opportunities for Australian and Chinese students and academics
- seed research collaborations, facilitate exchange opportunities for Australian and Chinese researchers. Build research programs, including commercial research opportunities involving Chinese SOEs and companies, with a keen focus on solving China's problems
- develop internship opportunities for Australian and Chinese undergraduate and postgraduate students in both countries. Chinese-speaking Australian PhD students could intern in establishing research labs in Chinese universities, along the lines of the MIT's MISTI program

Phase 2

- establish a physical presence even if not a full campus in partnership with the local university, leveraging relationships with government, companies and the Chinese city and region
- the international campus could offer degrees from an Australian university or jointly with the local partner with the aim of building capacity and capability of the Chinese workforce
- innovative interdisciplinary research labs could be built around thriving collaborations, with the financial assistance of the local government. These could be centres of excellence focused on solving China's problems
- establish an executive education program for SOE and government officials

Building capacity in India and Indonesia: These two giant countries will also be central to Australia's higher education future. They are a generation behind the modernisation of China and both have significant challenges relating to infrastructure, high population densities, and underdeveloped higher education systems. But unlike China, they have young populations with high birth rates. The strategic path ahead for either country is becoming clearer with recent policy decisions; the potential of both is vast.

We recommend that Australian universities begin due diligence and capacity building by establishing integrated study abroad sites with leading local universities in both countries, at a scale of at least 20 students, and/or moving towards establishing branch campuses with the aim to move up market into higher valued added parts of higher education. Seeding research collaborations geared towards the needs of these developing economies is smart. These sites could then act as learning by doing platforms for more engagement in India and Indonesia with a view to rolling out more aggressive MNU-like initiatives when and if appropriate.

Conclusion

The fundamental problem facing Australia's "higher education as export" business model is that the increase in supply of global higher education will both lower the global market price for degrees as well as the average quality of students willing to pay for them. The big winners from supply outstripping demand will be consumers of higher education in developing countries. But this poses a major financial and reputational threat to campus-based universities in developed countries with high fixed costs for staff and infrastructure.

But it is also a question of global relevance for Australian higher education. With international student numbers predicted to almost treble to 7 million by 2020 from 2009 levels, the Australian share of the international market will inevitably decline. Unlike Australia's iron ore and coal industries that can increase capacity in response to world demand, Australian universities are not so capable. Already at the highest level in the developed world with around one in four students at Australian universities from overseas, these institutions would need to add on average an additional three places for local students just to make way for one international student if quality levels are to be maintained.

Australia's export-focused universities have enjoyed almost two decades of largely unchallenged access to the students from Asia. For almost two decades, Australian universities have relied on this rich source of revenue to underwrite their operations, fund research programs, build infrastructure and support student services. So any danger to this business model is serious indeed.

The three threats we have identified in this report – the 'lateral' threat from American public universities aggressively entering the Asian market, the 'above' threat by elite US private universities to pursue MNU strategies and thereby creating universities for a globalized world, and the 'below' threat from low cost online education (MOOCs) – signal serious and growing challenges to the Australian university business model. Combined with local factors like the high Australian dollar and residency pathways, the effect has been to diminish Australian universities' global competitiveness in the international student market.

But so too do these threats signal the arrival of a new era for global higher education defined as much by the rapid emergence of creative innovations and new business models as by the rapid and unpredictable dynamics of the global marketplace. None of the threats we have outlined here existed much before the global financial crisis only four years ago. Australian universities must be on the front foot to shape their increasingly offshore future in global higher education rather than their onshore operations being shaped by the international market.

Appendix 1. Drivers of International Higher Education Demand

The June 2012 report by the British Council “The shape of things to come: higher education global trends and emerging opportunities to 2020” takes a close look at the global higher education this decade based on the three drivers of higher education demand: demographics, macroeconomics and national policies. While national policies are hard to predict, demographics and macroeconomics work in unison to determine potential growth in tertiary enrolments.

Demographics tell a compelling story as to where forces of demand will be most keenly felt over the coming years. By 2020 almost half of the world’s 18 to 22-year-olds – the age group most likely to go to university and gain the higher skills needed to support rising incomes and national prosperity – will live in China, India and Indonesia. In turn, the growth of these three Asian giants will shape the trajectory of the increasingly interdependent developing economies across the region. Another 25% of the global share of higher education comes from 9 developing countries, 4 of which are in emerging Asia – Pakistan, Bangladesh, Philippines and Vietnam.

Combining demographic and macroeconomic drivers China is predicted to experience the highest growth in tertiary enrolments from 24% to 38% of the 18-22 population, followed by India which will grow from 16% to 23%. What is most striking is that by 2020, China, India and Indonesia could add almost 15 million enrolments to the world’s stock of higher education, a figure approaching 10 times the predicted growth of all higher education enrolments in the rest of world combined.

According to the British Council report, in 2020, the top five tertiary education systems by size will be:

- China – 37 million
- India – 28 million
- US – 20 million
- Brazil – 9 million
- Indonesia – 8 million

To determine the size of the global market of international students, the ratio of outbound mobility to gross tertiary enrolments for each country was determined; again showing China will be the largest source of international students. By 2020 around 1.5% of China’s 37 million tertiary enrolled students will be studying in foreign countries, above India’s 1% annual trend over the next decade.

However, the report’s conclusion that Australia is set to see the highest increase in the number of international students based on demand by 2020, ahead of the UK, US and Canada must be questioned. Based on tertiary enrolment figures up to 2009, this report records Australia at its zenith and the United States just as it starts to ramp up enrolment of overseas students, particularly at the undergraduate level (see Figures 5 and 6). Canada, too, is starting off a low base. Neither do these forecasts consider the capacity constraints in Australia as shown in figures 11 and 12 compared to these competitor nations. And as the report notes, the projections assume China – Australia’s largest source market – will avoid a hard landing from its long period of hyper economic growth rates.

Perhaps the most critical factor determining the future of Australian higher education is the quality of the numbers. Other than the competitive advantage of residency pathways that is hoped to materialize under the Knight review, Australia’s cost advantage has been neutralized. All things being equal, international students will increasingly judge the quality of an Australian education – and the opportunities it provides – against competitor nations.

The value of a 21C university education, in our view, should encompass the totality of a student’s education and how it best prepares a student for life and the global workforce. The strongest value proposition for students over the three to four years of an undergraduate degree would include quality curricula combining knowledge and skills, residential life, study abroad, community-based service, internships and student life activities. The holistic view of a 21C higher education therefore should not only embody what universities teach and how they teach, but also how and where students learn. Increasingly, this is the quality education full-fee paying international students seek.

“New” entrants like public universities in the US and Canada into the international undergraduate market rate more highly on this rendering of the value proposition with the package they have on offer compared to Australian universities. Add to this the attraction of a degree with a global brand and influential alumni networks of institutions like Berkeley, UCLA, Washington and Indiana, and Australian universities’ competitiveness at the quality end of the market diminishes.

Appendix 2. MOOCs – an online revolution?

Elite US universities offer free web courses

Based on an opinion piece by the authors published in *The Australian*

6 June 2012

In June 2012 Harvard University and MIT entered into the brave new world of massive open online courses (“MOOCs”). With their new “edX” initiative, these two leading Boston-based universities have for the first time staked their credibility online by offering Harvard and MIT certificates of completion for their MOOCs.

These certificates are a long way from fully-fledged degrees. But students all around the world will no doubt consider getting edX certificates for classes that are free and open to anyone who wants to take them. The student benefits of edX are clear—great classes taught by world leading professors at no financial cost to students. Online education pioneer and former University of Southern California Provost Lloyd Armstrong goes so far as to contend that “because of the rigour of (Harvard and MIT) courses, the graduates (of edX) would likely be better prepared than the grads of a large fraction of accredited schools.”

But why are Harvard and MIT willing to risk their priceless reputations by credentialing students they don’t admit through traditional quality channels? The simple answer is that they don’t see it as a risk. Rather than potentially undermining their brands, the intent of edX is to globalize them. And in time, Harvard and MIT probably think they will be able to make money from edX the way the New York Times now profits from online content it used to give away.

Students all around the world will get the chance to find out firsthand what Harvard and MIT offer. They will be indebted to the universities for their online educations. Some may even then try to get into a real degree program in Cambridge, Massachusetts. If anything, the value of the brand—and the premium for Harvard and MIT on campus educations—will rise still higher.

Harvard and MIT are far from alone in MOOC-ing their curriculums. Other major American universities are also giving online access to popular classes using sophisticated video and interactive technology to allow anyone to enroll, any time, anywhere in the world. Stanford, Princeton, Penn, Berkeley, Duke, Michigan among others have created MOOC platforms behind names like Udacity, Udemy and Coursera. And in September 2012, in announcing it would join Coursera, the University of Melbourne it will be the first Australian university to be part of a MOOC platform alongside prestigious American universities.

That all these elite American universities are investing their reputations, and almost \$100 million of their own money with Silicon Valley backing on top, is the strongest indication yet that online learning will be a major part of the future of higher education.

Student response has been extraordinary. Some classes have already attracted enrollments of over 100,000, with students coming from more than 100 countries. Around the globe, students believe that online access to the world’s best universities will improve their skills and enhance their careers. The New York Times refers to MOOCs as the “democratizing of higher education”.

MOOCs are also a great example of what Harvard Business School professor Clayton Christensen calls “disruptive innovation”, where a new technology and a new business model combine to disrupt incumbents by making a previously exclusive product more accessible to more people, at lower cost.

Harvard and MIT stress that edX “will never replace the traditional residential model of undergraduate education”. MOOCs can and will expand the reach of the global titans of higher education, in markets that will increasingly look like “winner take all”.

Why show up to an average history lecture in an aging lecture theatre in Delhi, Durban or Durham when you can stay at home and take the class from Harvard’s Niall Ferguson?

But the bigger upside to MOOCs concerns the potential credentialing they generate—credentialing for which major universities with “killer app” MOOCs will begin over time to charge students. Consider three possible future worlds of MOOC higher education.

First, MOOC credentials from world-class universities could come to be accepted as comparable to degree training from lesser institutions. For instance, might some employers not value the skill set and competency of someone who completed Udacity’s “Building a Search Engine”, taught by legendary Stanford professor Sebastian Thrun over a computer science degree from a university outside the Jiaotong 500?

Right on cue, the vice-chancellor of Deakin University in Victoria, Professor Jane den Hollander, announced in August 2012 that some MOOC courses would be embedded in the Deakin curriculum with the aim of freeing up academics to focus on assessment tasks and more personalized teaching. And for the first time a US university – Colorado State University – announced in September 2012 it will give full transfer credit to students who complete a free introductory computer-science course offered by the online-education start-up company Udacity.

Second, MOOCs might be used as prerequisites for on campus degrees. In Australia and other countries with large international student populations, completing MOOCs could potentially augment if not replace other admissions criteria.

Finally, universities could start incorporating elite MOOCs into their degree programs. For example, MOOCs could potentially replace some first year large lecture format teaching of core subjects taught the world over, say introduction to macroeconomics by Harvard's Greg Mankiw?

Time will tell if any of these futures play out. After all, elite online higher education died an abrupt death when the dot com bubble burst a decade ago. But this time looks different.

The most striking thing about edX and other top MOOCs is the commitment of world leading institutions to the global proliferation of knowledge. For centuries, universities have practiced this credo, but they have done so one student, or one seminar room or lecture hall, at a time. In the MOOC world, the proliferation possibilities are limitless and instantaneous.

Traditional universities therefore face at least two challenges. First, they must decide how to get into the MOOC game, either by producing their own MOOCs where they are competitive or integrating best of breed MOOCs into their educational offering.

Second, universities must re-focus on the value proposition of a costly on campus higher education when free or lower cost online yet higher quality options are everywhere. This will inevitably mean enhancing group learning skills like communication, collaboration and leadership rather than merely imparting textbook knowledge.

This new field of MOOCs is still in its infancy, moving fast and evolving rapidly. With new players and new business models appearing almost weekly, it would be premature to make sensible and considered recommendations upon which policy action could be based or universities could rely. The Centre's 2013 report on international higher education will specifically focus on global online education initiatives being pioneered by elite US universities.

Appendix 3 – Preparation of this report

This report is the product of research and review that occurred in three draft stages. The first draft was based on research including interviews and discussion with key people at the US, Australian and Asian universities profiled in this report. The second stage draft incorporated comments and suggestions from international panelists and Australian respondents on the first draft. The panel and roundtable discussion then considered the final draft of the report. The authors wish to thank interviewees, reviewers and participants for their generous time.

Interviews

- Professor CHONG Tow Chong, Provost, Singapore University of Technology and Design, Singapore
- Professor KHOO Hoon Eng, Director, Office of Exec Vice President (Academic Affairs), Yale-NUS College, National University of Singapore, Singapore
- Mr Luke Hanguo LI, Regional Director, East Asia, Fuqua School of Business, Duke University, Shanghai
- Professor Shirish Shenolikar, Professor and Senior Associate Dean, Duke-NUS Graduate Medical School, Singapore
- Professor John Sexton, President, New York University, New York
- Professor May LEE, Associate Vice Chancellor – Asia, New York

Review

International respondents and panelists

- Professor Tony Chan, President, Hong Kong University of Science and Technology
- Professor Peter Lange, Provost, Duke University
- Professor Scott Waugh, Executive Vice Chancellor and Provost, University of California, Los Angeles

Australian respondents

- Professor Steven Schwartz, Vice-Chancellor and President, Macquarie University
- Professor Chris Findlay, Executive Dean, Faculty of the Professions, University of Adelaide
- Professor Simon Marginson, Centre for the Study of Higher Education, University of Melbourne

Australian panelists

- Professor Steven Schwartz, Vice-Chancellor and President, Macquarie University
- Professor Paul Wellings, Vice-Chancellor, University of Wollongong
- Professor Richard Henry, Senior Deputy Vice-Chancellor, University of New South Wales

