

# Education as an Export for Australia: More Valuable than Gold, but for How Long?

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(This is the paper behind the presentation at the Australian International Education Conference in Melbourne on Friday 5 October 2012)

A Reserve Bank Bulletin<sup>1</sup> in June 2008 is the authoritative statement on Australia's exports of education services

Australia's education services exports have continued to grow in importance this decade. Since 1982, education services exports have grown at an average annual rate of around 14 per cent in volume terms, with their share in the value of total exports increasing from less than 1 per cent to almost 6 per cent in 2007. They have now displaced leisure travel services as Australia's largest service export. Indeed, education exports are now Australia's third largest export, behind only coal and iron ore.

These services not only include tuition fees, but also the living expenses of foreign students while studying in Australia. In 2007, tuition fees accounted for 39 per cent of overseas student expenditure in Australia, with the balance representing spending by foreign students on goods and services, such as food, accommodation, transport and entertainment.

## Methodology

All export figures in this paper have been supplied directly by the Australian Bureau of Statistics (ABS).

This paper uses as the value of education exports the figure for spending on fees and goods and services by students onshore in Australia.

Similarly, the state and territory figures below are for spending by students onshore in Australia. These are the figures that would be used, for example, in any negotiations with state and territory governments on matters such as public transport concessions.

## Education as an Export for Australia

The value of education as an export for Australia doubled every five years from 1989/90 to 2009/10

from \$0.821 billion in 1989/90 to \$1.690 billion in 1994/95

from \$1.690 billion in 1994/95 to \$3.844 billion in 1999/2000

from \$3.844 billion in 1999/2000 to \$8.743 billion in 2004/05

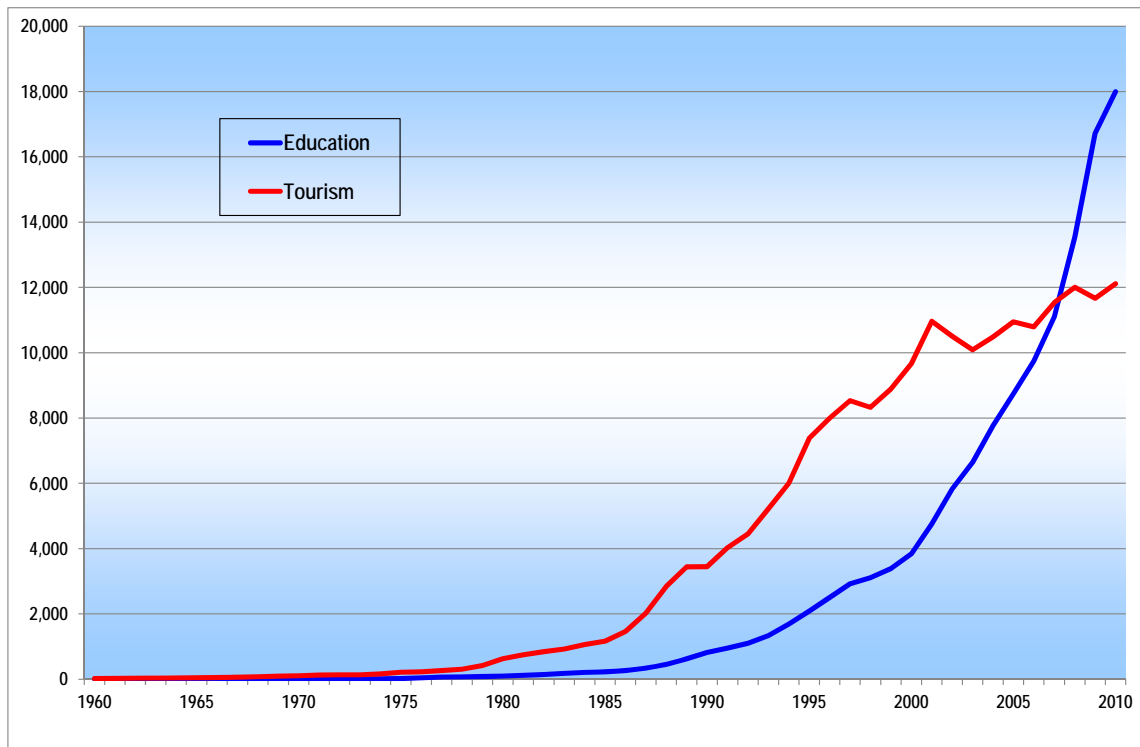
from \$8.743 billion in 2004/05 to \$17.995 billion in 2009/10.

Chart 1 **Education as an Export: Time Series** compares the value of education as an export for Australia, since 1960, with the value of tourism as an export for Australia.

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<sup>1</sup> <http://www.rba.gov.au/publications/bulletin/2008/jun/pdf/bu-0608-2.pdf>

Chart 1  
Education as an Export: Time Series to 2009/10



## Perfect Storm

From the peak in 2009/10, Knight's **Strategic Review of the Student Visa Program 2011** describes what happened<sup>2</sup>

Since that time enrolments have fallen. And the numbers of new students enrolling are declining faster than the overall enrolment numbers. This is causing serious problems for the viability of the sector. A range of factors have contributed to this including increased global competition, changes to Australia's migration settings and a rising Aussie dollar. Many in the sector refer to these, and other factors, as creating "the perfect storm".

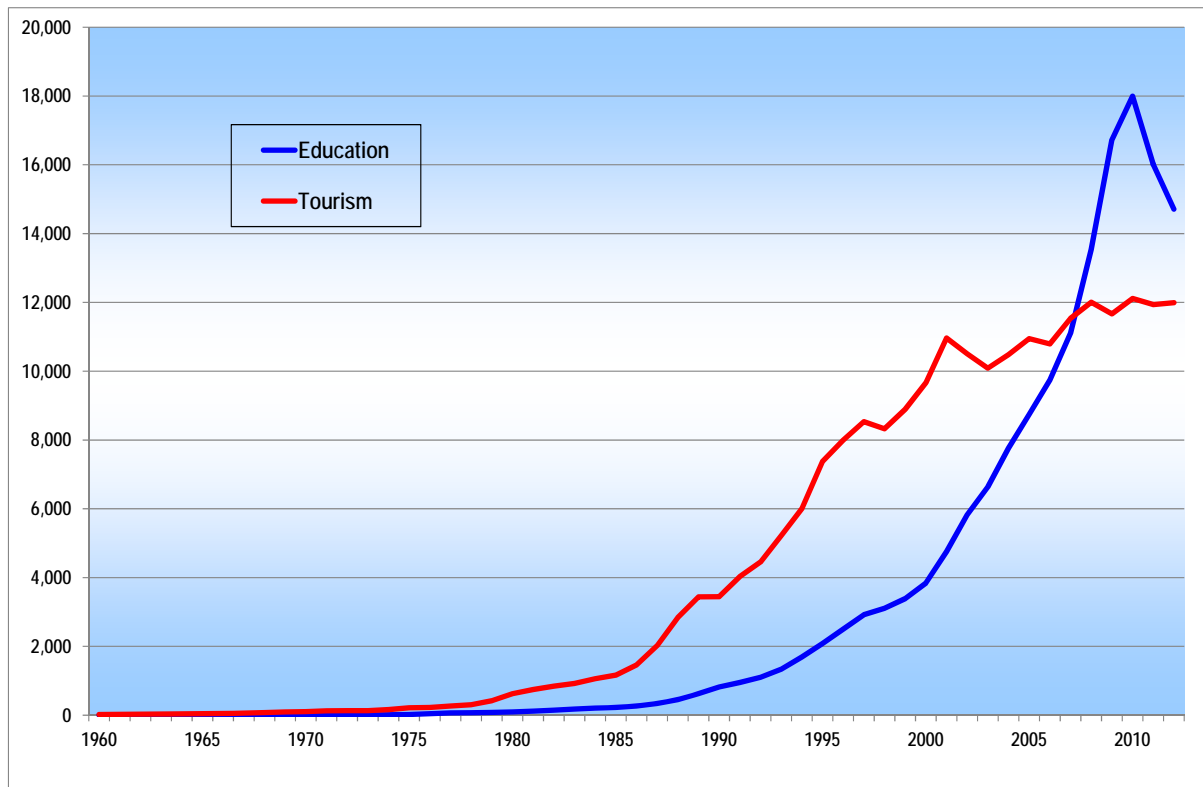
There are other factors in the "perfect storm"

Regrettably it is also the case that in recent years some low quality providers entered the sector particularly, but not exclusively, in some parts of the private VET sector. Going forward, maintaining Australia's reputation for quality is intrinsic to building a sustainable international education sector. We need good quality students in good-quality courses. Any diminution in quality compromises Australia's education "brand" and is harmful to the sector as a whole. It also tarnishes Australia's broader reputation for quality and could undermine our national "brand" beyond the education sector.

As a result of the "perfect storm", the value of education as an export for Australia dropped from the peak \$17.995 billion in 2009/10 to \$16.015 billion in 2010/11 and \$14.711 in 2011/12 as in Chart 2 **Education as an Export: Time Series to 2011/12**.

<sup>2</sup> [http://www.immi.gov.au/students/\\_pdf/2011-knight-review.pdf](http://www.immi.gov.au/students/_pdf/2011-knight-review.pdf)

Chart 2  
Education as an Export: Time Series to 2011/12



## Australia's States and Territories

Data on the value of education as an export for each of the Australian states and territories are available only up to 2010/11. Data for 2011/12 will be available from the Australian Bureau of Statistics in November 2012.

Education in 2010/11 was the largest export for Victoria (by the length of the straight), the second largest export for NSW (behind Coal), the second largest export for ACT (behind Government Services), the fourth largest export for Queensland (behind Coal, Meat and Tourism) and the fourth largest export for South Australia (behind Wheat, Copper and Wine).

Education as an export for NSW dropped \$1 billion from \$6.8 billion in 2009/10 to \$5.8 billion in 2010/11. Education as an export for Victoria dropped \$1 billion from \$5.9 billion in 2009/10 to \$4.8 billion in 2010/11.

Charts showing export league tables for Australia and each of the eight states and territories in 2010/11 are at Attachment A **Australia, States and Territories**.

## Modelling

"Essentially, all models are wrong, but some are useful" is attributed to English statistician George Box.

In modelling for the International Education of Australia (IEAA), the key variable is the number of commencements.

Up to first semester 2012, the modelling has used actual numbers of commencements as reported by Australian Education International (AEI). For second semester 2012, the modelling used July 2012 figures from AEI on year to date commencements. On this basis, across all sectors, numbers of commencements in second semester 2012 were down 5.1% on a year earlier.

From first semester 2013, the modelling sees commencements returning to growth, with growth modelled at 5% per year in most sectors. The modelling sees demand for university places driving growth. This growth scenario relies on the positive impact of streamlined visa processing, and assumes the legislation of post study work rights.

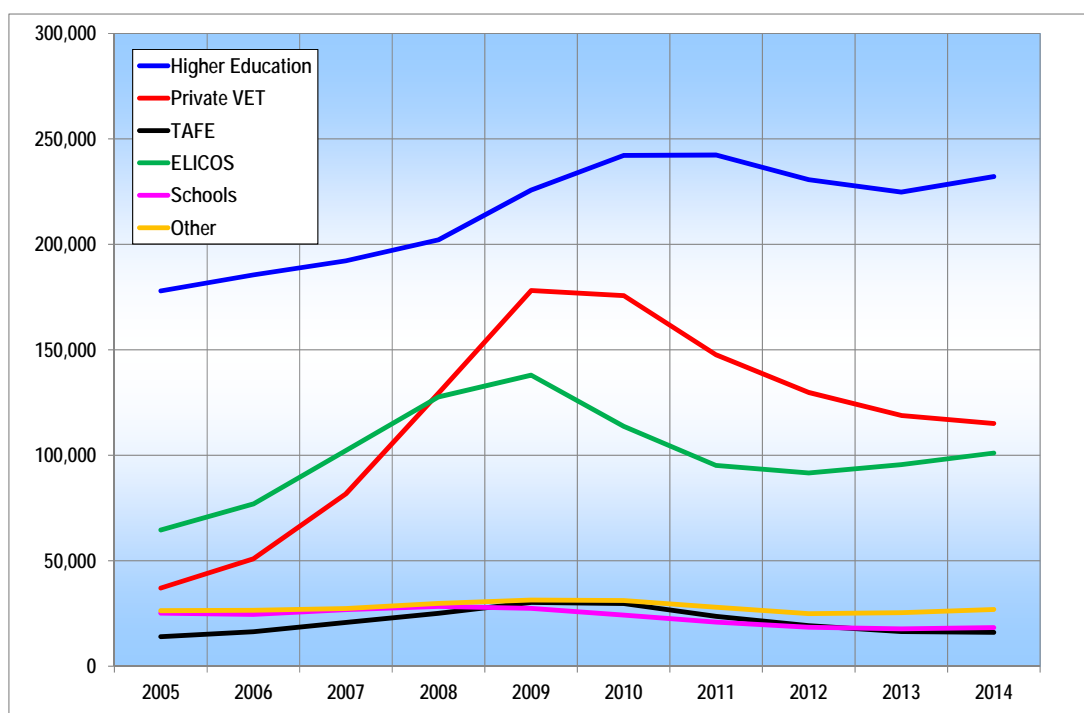
As in Table 1 **Modelling Enrolments**, numbers of enrolments are modelled to bottom out in 2013 and return to growth from 2014.

**Table 1  
Modelling Enrolments**

2009	630,700
2010	616,464
2011	557,425
2012	514,485
2013 (bottom)	498,564
2014	509,301

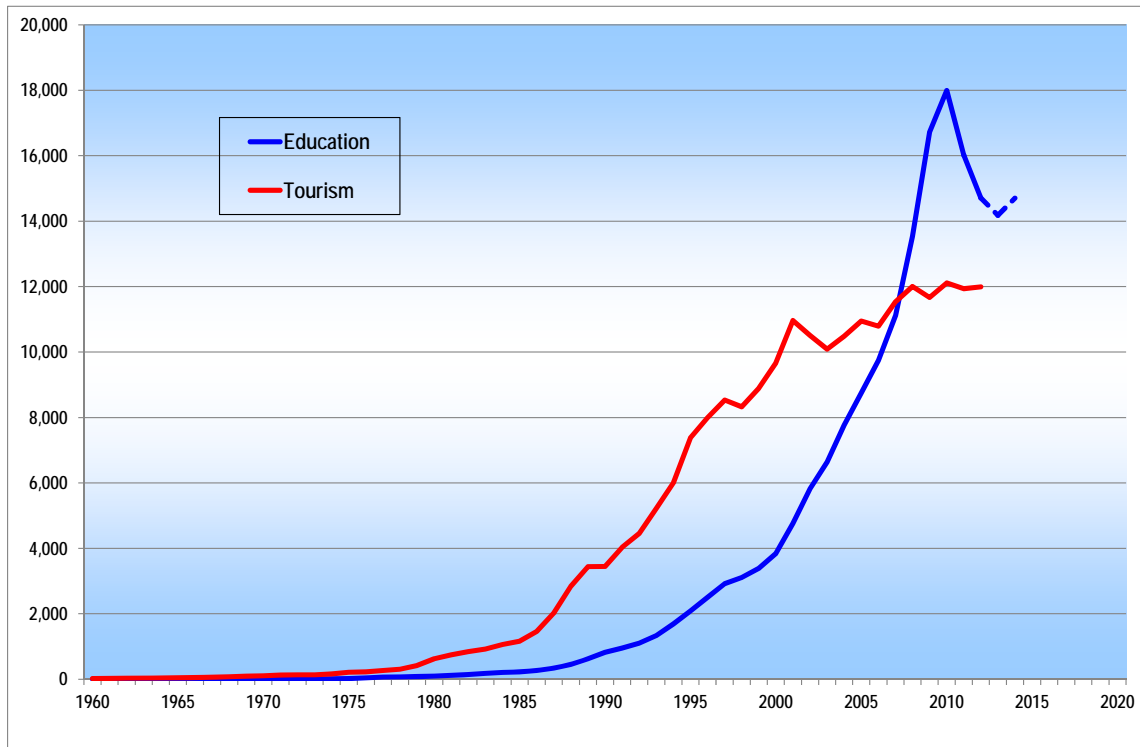
This modelling out to 2014 is shown by sector in Chart 3 **Modelling Sectors**.

**Chart 3  
Modelling Sectors**



Revenue peaked at \$17.995 billion in 2009/10, and dropped to \$16.015 billion in 2010/11 and \$14.711 in 2011/12. The modelling is for \$14.136 billion in calendar 2012, then bottoming out at \$14.027 billion in calendar 2013, a 22% drop in revenue from peak to trough. The modelling then is growth to \$15.292 billion in calendar 2014, as in Chart 4 **Modelling Revenue**.

**Chart 4  
Modelling Revenue**



## Jobs

Access Economics in April 2009 reported on **The Australian Education Sector and the Economic Contribution of International Students**<sup>3</sup> for The Australian Council for Private Education and Training (ACPET).

International student expenditure in Australia contributes to employment in the Australian economy. It is estimated to have generated just over 122,000 FTE positions in the Australian economy in 2007-08, with 33,482 of these being in the education sector. Total student related expenditure (spending by students and visiting friends and relatives) generates a total of 126,240 FTE positions.

Simply, across the Australian economy, across the providers of education as well as the suppliers of goods and services, such as food, accommodation, transport and entertainment, a 22% downturn removes 27,700 jobs, 22% of the Access Economics figure of 126,240 FTE jobs.

7,300 of these jobs will have been lost in education institutions, including in college collapses.

<sup>3</sup>

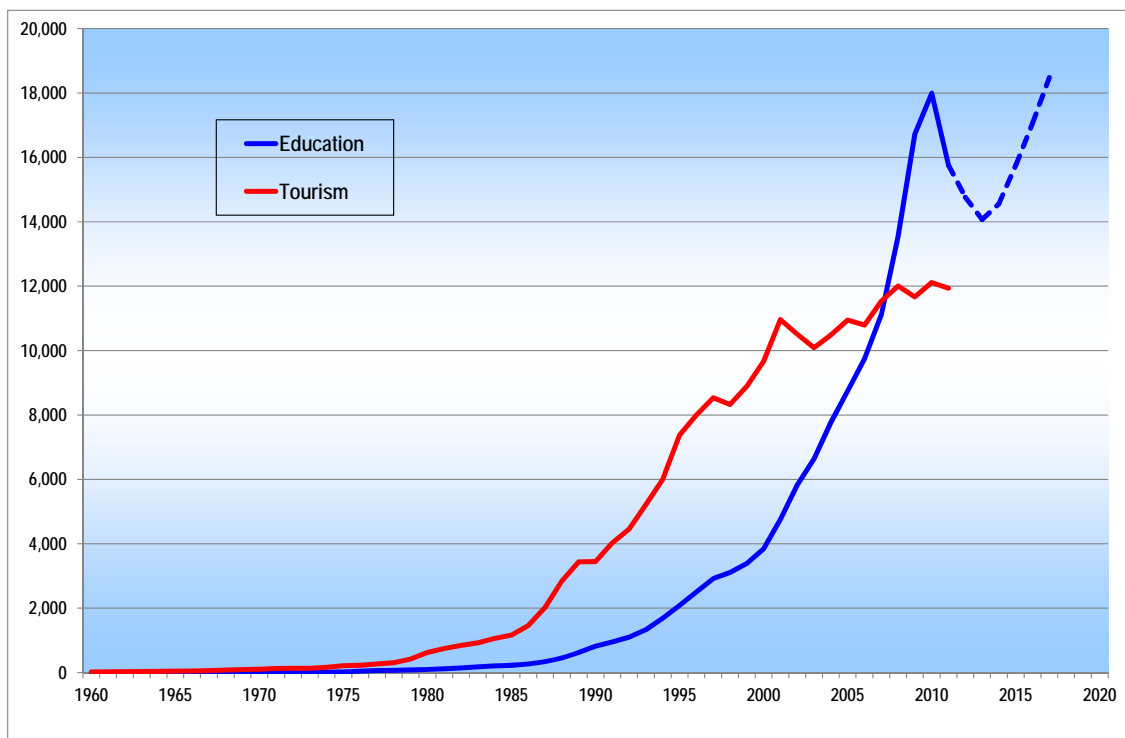
<http://globalhighered.files.wordpress.com/2009/04/theaustralianeducationsectorandtheeconomiccontributionofinternationalstudents-2461.pdf>

## Recovery

The modelling sees demand for university places driving growth, with other sectors increasingly conduits to higher education. Higher education makes up 48% of international students, from 36% in 2009.

With relatively more students in universities, and annual tuition fees growing a fraction above inflation, the modelling sees education as an export returning to \$18 billion by 2017 as in Chart 5 **Modelling Recovery**.

Chart 5  
Modelling Recovery

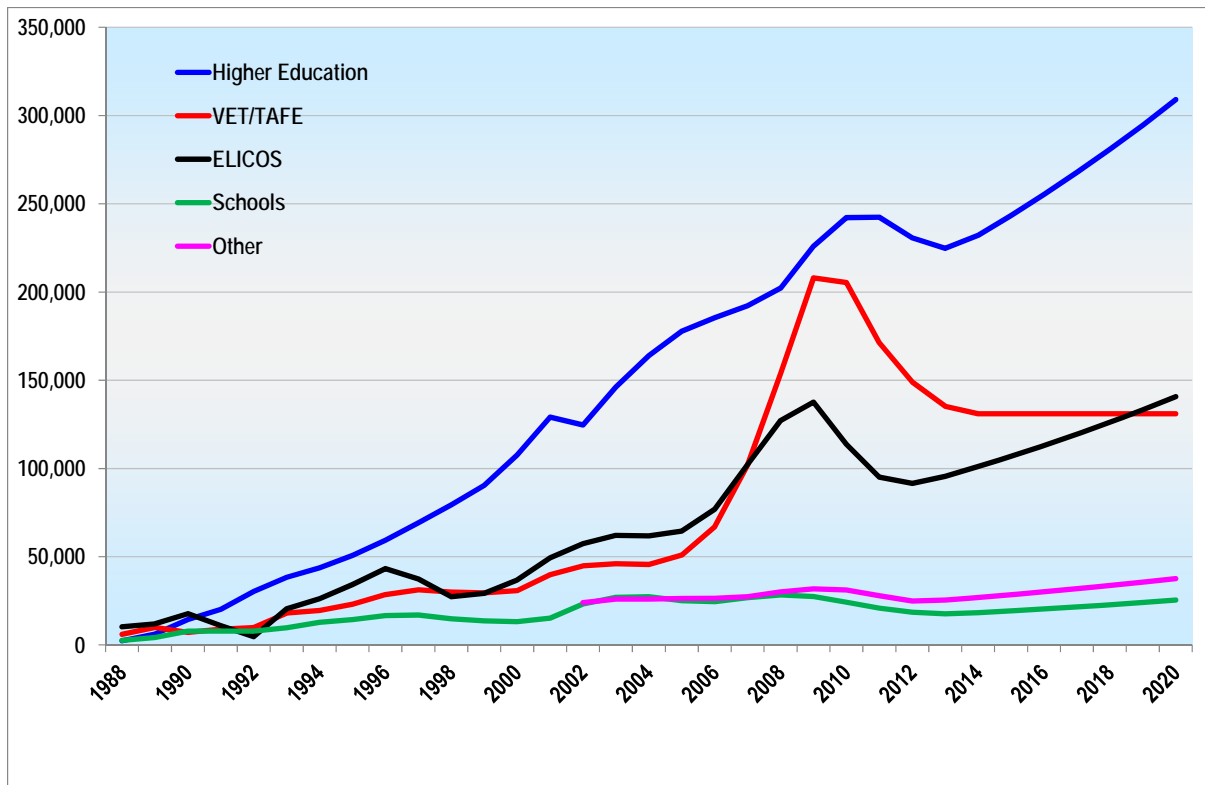


The modelling suggests that, by 2020, after more than a decade, international education enrolments will return to the level of 2009, as in Table 2 **2020** and Chart 6 **2020**.

Table 2  
2020

	Higher Education	Private VET	TAFE	ELICOS	Schools	Other	Total
2009	225,719	178,073	30,184	137,956	27,365	31,403	630,700
	36%	28%	5%	22%	4%	5%	100%
2011	242,351	147,608	23,629	95,104	20,868	27,865	557,425
	43%	26%	4%	17%	4%	5%	100%
2020	308,999	115,046	15,962	140,716	25,381	37,580	643,684
	48%	18%	2%	22%	4%	6%	100%

Chart 6  
2020



## Higher Education in 2020

The modelling that, in 2020, demand for international higher education places in Australia will exceed 300,000 raises again, as in 2007, the issue of the appetites and capacities for international students of Australian universities.

If demand for international higher education places exceeds the capacities of Australian universities to supply those places, there are increased opportunities for private higher education providers.

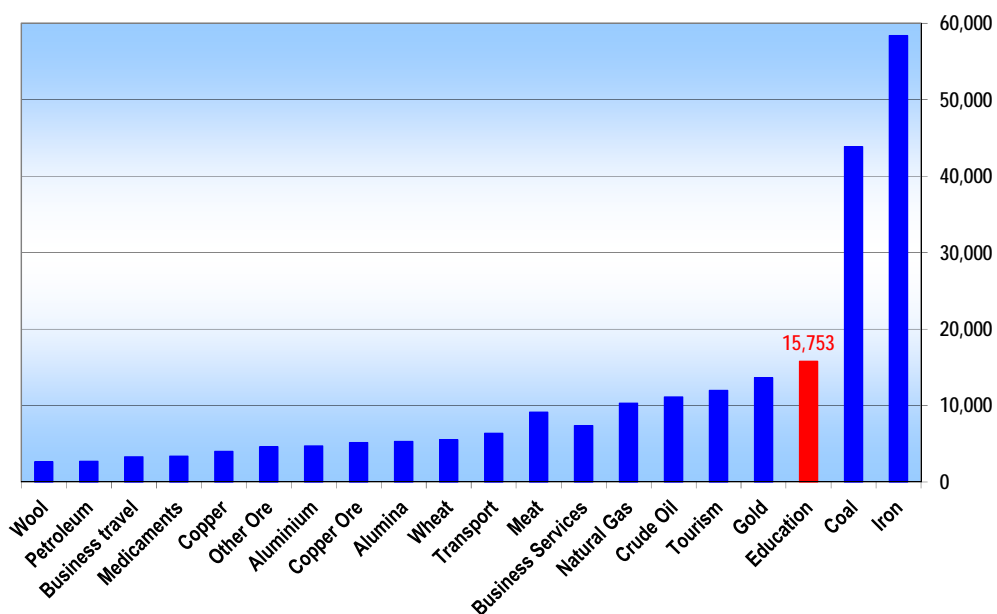
The final point from this modelling is the extent to which other sectors increasingly are conduits to higher education.

## Australia, States and Territories

### Australia

Education in 2010/11 was Australia's third largest export behind Coal and Iron, ahead of Gold, Tourism, Crude Oil and Natural Gas.

Chart A1  
Australia's Top Exports 2010/11 (\$ millions)



Education remains the only top export that captures Australia as more than *a quarry with a view*.

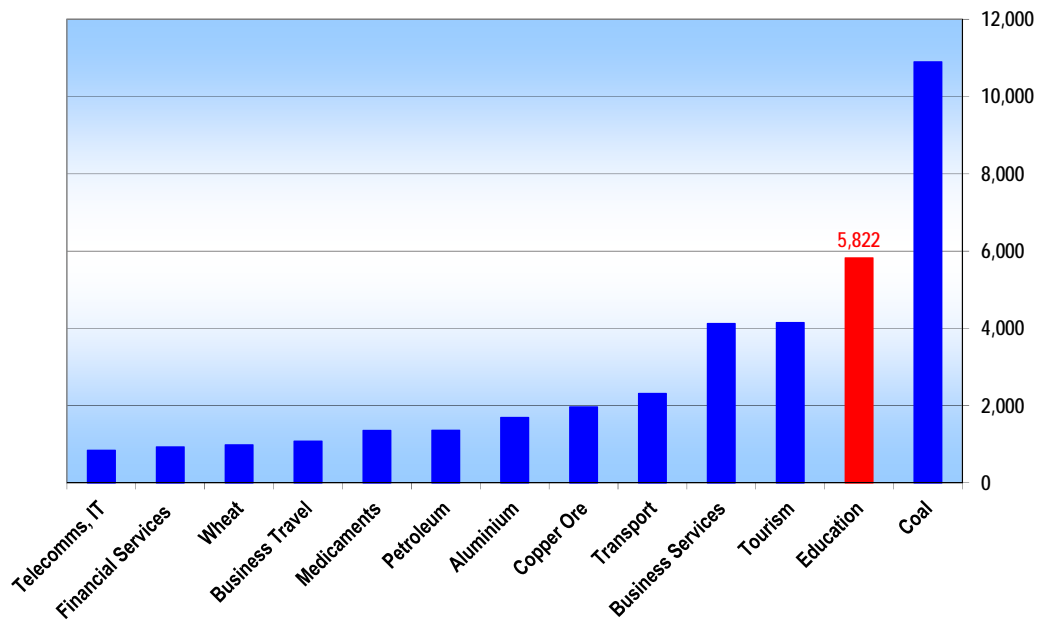
In 2011/12, Gold overtook Education in the Australia league table. Detail will be available from the Australian Bureau of Statistics in November 2012.

### NSW

Education as an export for NSW dropped 15% from \$6.8 billion in 2009/10 to \$5.8 billion in 2010/11, but education remained the state's second largest export behind coal.



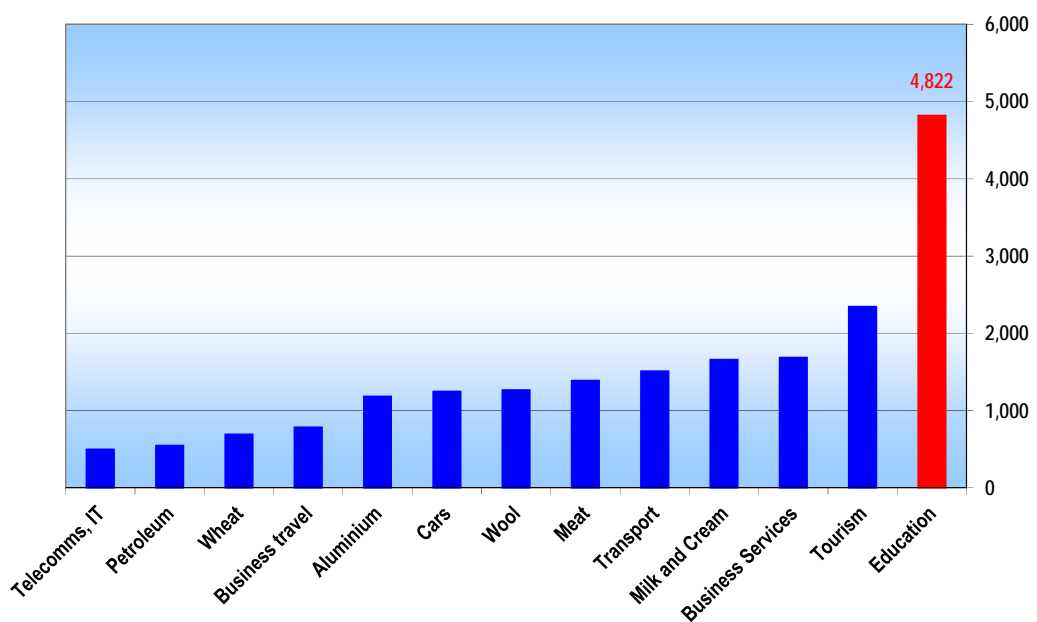
Chart A2  
NSW's Top Exports 2010/11 (\$ millions)



## Victoria

Education as an export for Victoria dropped 19% from \$5.9 billion in 2009/10 to \$4.8 billion in 2010/11, but education remained the state's largest export.

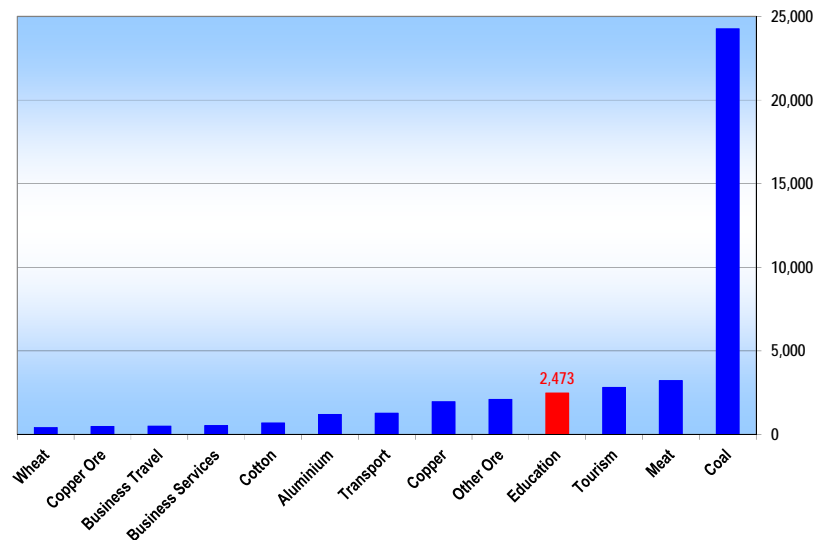
Chart A3  
Victoria's Top Exports 2010/11 (\$ millions)



## Queensland

Education as an export for Queensland dropped 13% from \$2.8 billion in 2009/10 to \$2.5 billion in 2010/11, and dropped a place to be the state's third largest export behind coal, meat and tourism.

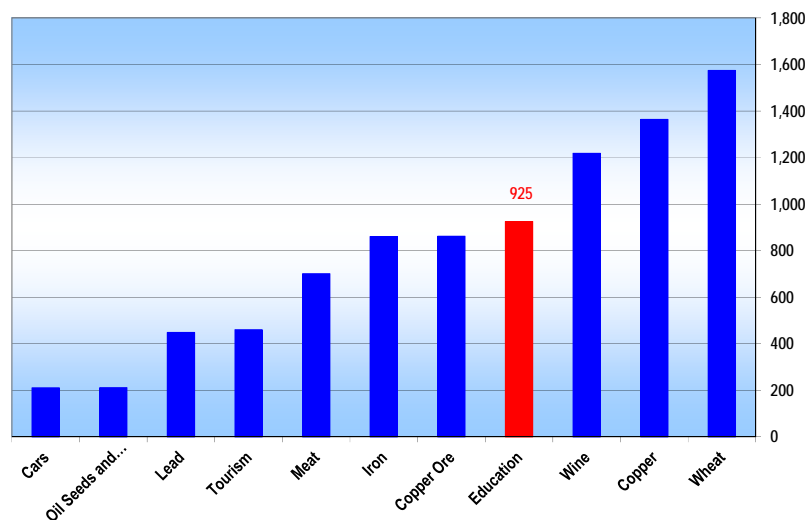
Chart A4  
Queensland's Top Exports 2010/11 (\$ millions)



## South Australia

Education as an export for South Australia dropped below \$1 billion, dropping 12% from \$1.052 billion in 2009/10 to \$925 million in 2010/11, and dropped two places to be the state's fourth largest export behind wheat, copper and wine.

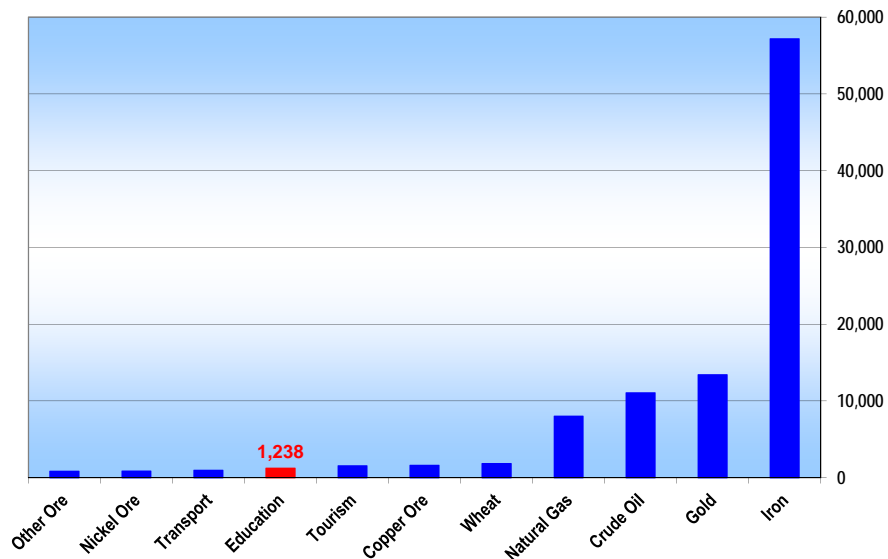
Chart A5  
South Australia's Top Exports 2010/11 (\$ millions)



## Western Australia

Education as an export for WA dropped 9% from \$1.36 billion in 2009/10 to \$1.24 billion in 2010/11.

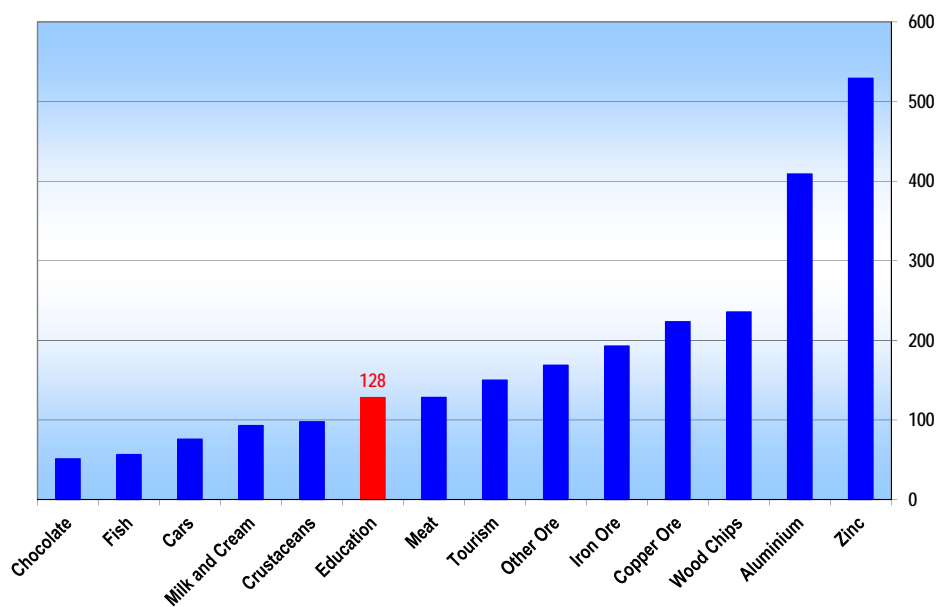
Chart A6  
Western Australia's Top Exports 2010/11 (\$ millions)



## Tasmania

Education as an export for Tasmania dropped 15% from \$151 million in 2009/10 to \$128 million in 2010/11.

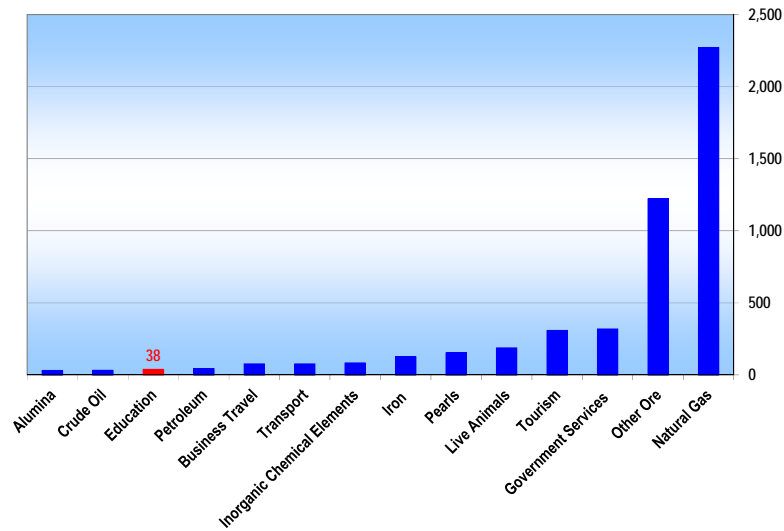
Chart A7  
Tasmania's Top Exports 2010/11 (\$ millions)



## Northern Territory

Education as an export for Northern Territory grew 3% from \$37 million in 2009/10 to \$38 million in 2010/11.

**Chart A8**  
Northern Territory's Top Exports 2010/11 (\$ millions)



## ACT

Education as an export for ACT dropped 6% from \$326 million in 2009/10 to \$305 million in 2010/11, but remained the territory's second largest export behind government services.

**Chart A9**  
Australian Capital Territory's Top Exports 2010/11 (\$ millions)

