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WHAT ARE THE IMPLICATIONS OF A LEVY ON INTERNATIONAL FEES?

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EXECUTIVE SUMMARY

The Interim Report of the Higher Education Accord includes the idea of a levy on international student fee income, that "could provide insurance against future economic, policy or other shocks, or fund national and sector priorities such as infrastructure and research" (Australian Government, 2023, p. 16). Proponents argue this could address sector-wide challenges such as concern that the government currently underfunds research and infrastructure.

The levy is proposed to channel funds from those institutions that receive high international student fee income to those institutions that do not support a variety of purposes. In 2021, for example, The University of Sydney collected the most fee income at $1.3 billion which was roughly 38% of the university's total budget that year. In contrast, The University of Notre Dame Australia collected $5 million or roughly 2% of their budget that year.

Were it to be introduced, a levy that supported a redistributive function would be a radical policy step, going far beyond current policy settings and requiring consideration of the consequences of different design options. For a levy to support aspirations around research and infrastructure, it would likely need to collect a significant amount of money each year, with implications for international students and their universities. International students already contribute significantly to the public purse, and we estimate that the Australian government currently collects over $2.6 cent billion per year directly from international students' charges and taxes.

A new levy implies issues around equality between students and raises key questions about whether it is acceptable to impose a levy on international students' fees but not domestic students' fees, and whether the levy should be imposed on all international students or limited to those in particular types of education providers.

The fear for many people is that it would be difficult to design a new levy that did not exacerbate negative sentiments among international students that they are seen as "cash cows". Most international students already pay tuition fees significantly higher than the amount universities receive for domestic students.

Another issue is around the public redistribution of private fee income, and the consequences for equity between higher education institutions. This raises the question of whether it is reasonable for fee income to be redistributed from high-income to low-income universities. Five universities have had significantly higher international revenue than the rest in recent years, and depending on the design it is likely they would provide the lion's share of the contributions. A straight 5% levy on international student fees for each university in 2021 would have collected over $430 million, half of which would come from just five universities.

There has so far been very little detailed discussion of what a levy would fund and how. The idea of establishing a 'sinking fund' to protect against volatility in the international education market, a kind of sovereign wealth fund for universities, implies that a reserve would need to be built up and hence hundreds of millions of dollars of fee revenue would be withdrawn from the sector for several years until a target was reached. To access funds to pay the levy, universities could respond by reducing expenditures or by increasing fees, with the balance of the two approaches determined by their circumstances and competitive market forces.

A major issue facing the levy proposal is the impact that higher fees could have on demand from international students. Redistributing private students' fees away from the providers in which they chose to study has implications for the perception of Australian higher education. Without transparency and accountability over the different purposes for which the funds are used, students might rightly ask whether they are receiving value for money, and why domestic full-fee students are not contributing. Were a levy to cause a major drop in Australia's share of the international education market, it may ultimately be a self-defeating policy.

INTRODUCTION – WHAT IS THE PROBLEM THAT A LEVY IS PROPOSED TO ADDRESS?

One surprise in the recently released Interim Report of the Higher Education Accord process was the inclusion of the idea of a levy on international student fee income. The Accord Panel, it explained, is "examining a funding mechanism such as a levy on international student fee income. Such a mechanism could provide insurance against future economic, policy or other shocks, or fund national and sector priorities such as infrastructure and research" (Australian Government, 2023, p. 16).

A levy on international student fees is proposed as a means to help address challenges faced by Australian higher education. Chief among these is the concern that government currently underfunds research and infrastructure, such that universities must seek other sources of revenue to cover the full costs of many of their core activities. For research, the situation has become acute since the cessation of dedicated programs such as the Sustainable Research Excellence (SRE) which provided funds to support the overheads and additional costs incurred that are a feature of all competitively issued research projects. While insufficient research funding is a major problem for only some universities, all face the challenge of replacing aging physical infrastructure on their campuses, much of which was built in the 1960s and 1970s. Australia previously had a national infrastructure fund – The Education Investment Fund (EIF) which replaced the earlier Higher Education Endowment Fund established in 2007. The EIF supported capital works in universities and other higher education providers, as well as for some research institutions until its closure in 2019. At the time it had a balance of $3.95 billion, which was reallocated for other government purposes.

To address the shortfall in research and infrastructure costs, universities have sought to use revenue from other sources. Historically domestic student funding was intended to provide support for some scholarship and research in universities alongside teaching costs, however, this was only ever a small quantum of the total. Additional funds have come also from domestic fee-paying postgraduate programs, but demand for these programs has softened and, in some cases, stalled since the COVID-19 pandemic began. The main source of funds to subsidise other activities has been international student fees, which arguably provide over a quarter of research expenditure. While international fee revenue has provided a significant surplus to some universities its distribution is very uneven. This is well illustrated by Table 1 which shows the top five and bottom five universities in terms of their international revenue in 2021, which was the most recent year sector-wide financial data is available. For the five universities in 2021 that were the top beneficiaries of international student fee income, it made up around a third or more of their overall revenue in that year. In contrast, for the five universities with the lowest international fee revenue in 2021, this made up less than a tenth of their total revenue.

Table 1: International Revenue 2021

	Total International Revenue 2021 ($'000s)	Proportion of Total Revenue in 2021
Top five universities for international revenue 2021		
The University of Sydney	$1,354,362	38%
Monash University	$917,527	32%
The University of Melbourne	$856,370	27%
The University of New South Wales	$702,625	29%
The University of Queensland	$644,454	27%
Bottom five universities for international revenue 2021		
James Cook University	$46,089	9%
University of Southern Queensland	$39,194	9%
University of the Sunshine Coast	$31,401	9%
The University of New England	$21,278	5%
The University of Notre Dame Australia	$4,772	2%

Australian universities with significant international revenue argue that this income is reinvested into a variety of activities, including research (a more detailed breakdown of the financial data is presented later in this paper). However, they also point to the precarious position this puts these universities in, where research and other activities are at the whim of international markets.

The Universities Accord Panel's interim report recognises the research challenges faced by universities, arguing that university research "has become too reliant on uncertain international student funding and needs to be put on a sounder and more predictable footing." (Australian Universities Accord Panel, p.2). The report identifies this as a broader issue stating that "a concern raised repeatedly in the Review's consultations and submissions was the unhealthy degree to which core research capability in Australia's universities is funded through volatile international education revenue." (Australian Universities Accord Panel, p.13). It also argues that in addressing the issue of research underfunding is not easily addressed, noting that "…the success of Australian higher education as an international industry has led to a situation where the funding it provides is so great it cannot realistically be replaced by public sources" (Australian Universities Accord Panel, p.15).

Commentators have argued that given public funding is unlikely to increase significantly soon, there is a need for the sector to be more self-sustained. This provides one of the central rationales offered for the levy: it could provide a means to redistribute funds from those institutions that have been most successful in generating income from international students as a result of benefiting from public investment. A redistributive levy could potentially mean less reliance on public financing of the system as a whole.

Minister Clare, when releasing the Interim report at the National Press Club of Australia on 19 July argued that: "A levy on international student fee income could create a fund, a bit like a sovereign wealth fund, that could do multiple things like protect the sector from future economic shocks and help fund things like infrastructure or research or student housing."

A levy that fulfils these functions implies several features that are explored in this paper. It would have a redistributive function, channelling funds from those institutions that receive high international student fee income to those that do not.

It could also provide a means to protect against volatility in the international market. If the proceeds of the levy were to be placed in a sinking fund with a sizeable balance it could be drawn upon more heavily when most needed. The fund would be increased in times of higher international enrolments and drawn upon in times of lower international enrolments. The University of Newcastle proposed such a ‘Sovereign Risk Fund’ model in its submission early in 2023 and is an aspect of the model being imagined by the Minister.

EXISTING GOVERNMENT REVENUE FROM INTERNATIONAL STUDENTS

Before we consider how a new levy might work, it may be helpful to note how the Australian government currently generates revenue from international students. We distinguish below between two types of revenue: existing specific-purpose levies collected from education providers; visa fees and taxes paid directly by international students.

LEVIES AND CHARGES

There are two existing levies on international students – the Tuition Protection Levy and the CRICOS Annual Registration Charge – and they share some common features. They are based on the number of international students enrolled, they are collected by the Commonwealth Department of Education from education providers, and they operate on a model to fund specific services provided by the government to support international education students and providers.

The Tuition Protection Levy was established to create a pool of funds to support fee-paying students whose provider ceased operating. It is paid by private education providers only, since public providers have negligible risk of collapse. Providers contribute based on the number of international students they enrol and the amount of fees they charge, and an assessment of the provider’s level of risk (Australian Government, 2023c). For a student paying $30,000 in fees, the amount payable by the providers could vary from around $13 for the lowest-risk providers to over $150 for the highest-risk. For example, a private provider in good standing established for more than two years, with 50% international students, less than half of those international students from one country, and charging tuition fees of $30,000 would contribute around $53 per international student (Australian Government, 2022b).[1] The funds collected by the levy are held in a dedicated account and used to support students in the event of a provider collapsing, either by refunding their fees or funding another provider to take on the student for the remainder of their course. Before the COVID downturn, the Overseas Students Tuition Fund collected a little over $6 million per year, before collections were paused to reduce financial pressure on providers during the pandemic (Australian Government, 2019). By mid-2022 the Fund held over $44 million in reserve (Australian Government, 2022a).

The second levy, the CRICOS Annual Registration Charge, is collected from both public and private education providers enrolling international students by the Department of Education to cover the cost of regulating the international education sector. It is a small fee, at just $5 per student per year, generating around $3 million per year for the Department (Australian Government, 2023b).[2]

New Zealand has a levy on international student fees for around 20 years, which operates on a similar basis but is somewhat broader in its scope. As well as providing tuition protection and funding regulation also supports the promotion and marketing of New Zealand as a destination, scholarships and professional development (MoE, 2023). The Export Education Levy reflects a broader New Zealand government policy “to seek a measure of cost-sharing, via levies or charges, from industries (including international education) which benefit from specific services which are delivered by government agencies” (MoE, 2011, p. 4). A review of the NZ levy undertaken three years after its introduction found that initial opposition to the levy among education providers had dissipated once they saw how levy funds had been allocated in the early years of implementation (Deloitte, 2006). All providers contribute 0.5% of tuition fees collected from international students (ie $150 for a student paying $30,000 fees). This amounted to $6,406,264 for the year ended 30 June 2019, which was 0.5% of the NZ $1.164 billion paid in fees by 110,790 international students (MoE, 2019).

These three international student levies have been relatively uncontroversial because they constitute a very small proportion of the overall fees paid by students, and because they fund specific activities that are in the interests of international students and providers. The type of levy being discussed as part of the Universities Accord panel process differs significantly from these existing levies on both counts. In relation to the quantum, to achieve any of the proposed objectives of the new levy, the percentage of international fees being collected would need to be significantly higher. And concerning the activities that the proposed levy would fund, it is not at all clear how international students or providers would benefit. We will return to these issues later in the report.

GOVERNMENT REVENUE COLLECTED DIRECTLY FROM INTERNATIONAL STUDENTS

We estimate that the Australian government currently collects over $2.6 billion per year directly from international students and graduates on post-study work visas through visa fees, income tax and GST. When considering placing a new tax on the tuition fees paid by international students to education providers, we need to recognise that international students already contribute significantly to the public purse. While the estimates presented below are inexact, they have been based on the most accurate publicly available data, and we believe provide a reasonable indication of the scale of the main sources of government revenues derived directly from students.

Table 2: Estimated government revenue directly from international students

Source	Estimated revenue	Basis of estimate
Student visa fees	$405 million	570,000 international student visas granted at $710 per visa. Estimate based on 283,573 student visas granted in the second half of 2022 (Australian Government, 2023a, p. 34).
Students' income tax	$373 million	500,000 international students in Australia earning a gross income of $22,135 and tax paid $747. Population estimate based on growth from 456,970 student visa holders in Australia in December 2022 (Australian Government, 2023a, p. 60). Income estimate based on a median take-home income of $21,389 per annum in 2019, adjusted assuming 2% annual wage growth (Australian Survey Research Group, 2019, p. 24).
Students' GST	$607 million	500,000 international students paying $1214 in GST on $13,359 on GST liable expenditure. Based on a median expenditure of $23,375 per annum in 2019, around half of which was not subject to GST (rent, food staples, health), adjusted assuming 3.4% annual inflation (Australian Survey Research Group, 2019, pp. 29–30).
Graduates' visa fees	$199 million	105,000 post-study work stream visas issued at $1,895 per visa. Estimate based on 52,536 subclass 485 visas lodged in the second half of 2022 (Australian Government, 2023a, p. 72).
Graduates' income tax	$806 million	150,000 international graduates in Australia on post-study work visas earning gross income of $45,864 and tax paid $5,373. Population estimate based on 144,694 subclass 485 visa holders in Australia in December 2022 (Australian Government, 2023a, p. 78). Income estimate based on National Minimum Wage of $882 per week for 52 weeks. Chew (2019) found that the median income of post-study work visa holders at the time of the 2016 Census was around the national minimum wage level.
Graduates' GST	$276 million	150,000 international graduates each paying 1,840 in GST on $20,245 GST liable expenditures. Estimates as above, assuming half of the net income is spent on GST-liable expenses.
Total	$2.6 Billion	

It should be noted that despite being taxed at the same rate as other residents, international students and post-study work visa holders are not eligible for most of the public services available to citizens and permanent residents, including healthcare and welfare services which they must fund themselves. For instance, while they will be treated at an emergency department in a public hospital, they are not eligible for Medicare.

The overall impact of international education on government revenues is of course much larger. In 2019 before the pandemic downturn, international education generated over $40 billion in export earnings and supported around 250,000 jobs (Australian Government, 2021). The fiscal impact of all that scale of economic activity is significant, predominantly arising from income and consumption taxes paid by all those working in the sector.

KEY ISSUES WITH A LEVY

The levy is proposed to channel funds from those institutions that receive high international student fee income to those that do not. Having such a redistributive function suggests a levy that differs from those already in operation for international students in Australia, or New Zealand, and implies several issues that would need to be considered. These issues are around first, who should pay the levy and with what rationale, second a redistribution of private fee income for public policy purposes and the transparency and accountability over the different purposes for which the funds are used. The third major issue facing the levy proposal is the impact that higher fees would have on demand. Each of these implies questions of principle that would need to be addressed in deciding on its operation, these include equity between students and institutions and equality between domestic and international students. We examine these issues in turn and discuss their implications for a levy.

ISSUE 1. WHO SHOULD PAY AND WHY?

The first issue is around equality between students. We will address two critical questions here. First, is it acceptable to impose a levy on international students' fees but not on domestic students' fees? Second, should the levy be imposed on all international students or limited to those in particular types of education providers? Neither of these questions are addressed in the Universities Accord Interim Report, but both have been the subject of substantial discussion and are mentioned in submissions in response to the Interim Report.

The 'cash cow' problem

A new levy on international students could do serious reputational damage to Australia, as it would likely exacerbate negative sentiments among international students that they are seen as "cash cows". The majority of international students pay fees significantly higher than the amount universities receive for domestic students, as Figure 1 shows. (The average international fees in Figure 1 need to be read with caution as this data is based on revenues from both onshore international students and offshore students studying at a branch campus or partner institution. Those universities with the lowest average fees are large-scale transnational education providers who charge significantly higher fees in Australia than overseas.)

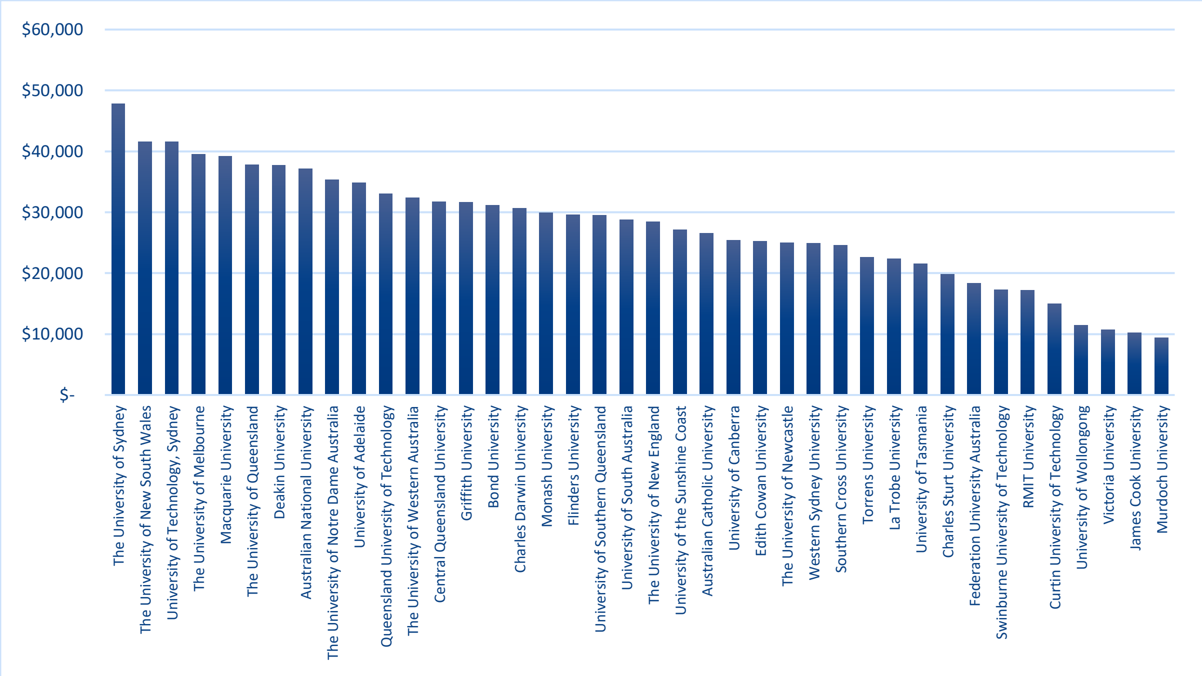

Figure 1: Average Per Student International Revenue 2021 (note: due to some providers having offshore campuses (TNE) caution needs to be taken when reading these figures as this includes fees for some students paying lower fees when studying outside Australia.)

There are widespread reports that international students feel that they are doing more heavy lifting to fund their institutions than their peer domestic students. That said, international students do have a wide choice of institutions, in Australia and other destinations, each offering a range of programs and charging widely varying tuition fees. They choose to pay fees to the institution in which they will study, and they will presumably only do so as long as they judge it as a good investment.

It will be a difficult task to explain to international students why they should be paying fees that will be transferred to support other universities in which they will not be studying. If there is a funding shortfall, international students may reasonably ask, why are we the ones that will be taxed to fund it? Why not domestic students, employers of university graduates, or taxpayers more broadly?

Income from domestic full fee-paying students is a much smaller contribution to the funding of the system than international students' fees but they are similarly unevenly distributed between institutions. If the objective is to redirect private funding why would Australia only redirect international students' fees and not also a share of domestic fees?

The Australian Business Deans Council warned in its recent submission to the Universities Accord, somewhat delicately, that "implementing a levy could damage Australia's reputation further as an international education destination by creating a perception that international students are primarily welcomed for their financial contributions" (ABDC, 2023, p. 1).

The Queensland University of Technology submission noted that it would likely be a net beneficiary of a redistribution of international fee income, but nevertheless strongly opposed the proposal due to the risk of serious reputational damage:

> For two decades Australia has enjoyed a *de facto* subsidy of its public research enterprise from the revenues contributed by the higher education export market. A levy would not only entrench this arbitrary cross-subsidy but by transferring it to the national level it would be made much more explicit for the international students themselves. Therefore the market risk to international education is considerable, alongside the risk to Australia's reputation in a fragile geopolitical world order (QUT, 2023, p. 3).

Andrew Norton, Professor in the Practice of Higher Education Policy, is more direct, arguing that "a levy is likely to play badly in the international student market and reinforce the perception that they are perceived as cash cows" (Chrysanthos & Carroll, 2023). Several recent submissions to the Universities Accord, including those from the Business Council of Australia, Bond University and the Curtin Student Guild, explicitly referenced the “cash cow” perception when explaining their opposition to the levy (BCA, 2023; Brailsford, 2023; Curtin Student Guild, 2023).

The levy proposal is at odds with the Accord panel’s efforts to highlight the social and political benefits of international education and to downplay its economic contribution. A similar view has been expressed by Minister Clare, who in his July address to the National Press Council launching the interim report reaffirmed the importance of international education in bolstering Australia’s reputation:

International education is a national asset. This is the biggest export that we don’t dig out of the ground. And it makes us more than money, it makes us friends. When you come here and study in Australia you fall in love with the joint, and you take that love and affection back home with you when you go. And this report, to its credit, talks about the soft power diplomacy that international education provides (Clare, 2023).

There is clearly a major risk that reputational damage caused by a new levy would seriously undermine the sector’s significant diplomatic achievements.

Which international students would be subject to a levy?

The Universities Accord Interim Report is silent on the issue of which institutions’ students would be subject to the levy. While its terms of reference do not extend beyond universities, any levy proposal must consider the question of whether it should also apply to international students in non-university higher education providers (NUHEPS), vocational education and training providers, English language intensive courses for overseas students (ELICOS providers) and schools. It is implied that the levy would be limited to the higher education sector since its primary intention is to redistribute revenue across that sector. Higher education accounts for just under half of all international enrolments, so the majority of international students would not be subject to the levy. However, there are two complications.

First, there is the question of whether students in NUHEPS would also be liable for the levy. This would seem to make sense in terms of competitive neutrality since they offer similar programs and are in direct competition with universities. However, NUHEPS are not required to undertake research, so would not benefit from any redistribution of international fees into research funding. Similarly, the Commonwealth Government has not in the past funded the infrastructure requirements of private education providers. Yet many of these providers have quite high proportions of international students and would be significantly impacted if they were to be subject to such a levy. Concerns about this point have been raised in submissions from the International Education Association of Australia, the Independent Tertiary Education Council Australia, and the Independent Higher Education Association (IEAA, 2023; IHEA, 2023; ITECA, 2023).

A second complication in terms of coverage is the status of for-profit providers, including many NUHEPS and Torrens University, who already pay corporate tax on their profits, while public providers and not-for-profit private providers do not. If one purpose of the levy is to have not-for-profit public and private providers contribute to the public purse, should for-profit providers be exempt?

These issues of institutional inclusion in a levy are not easily resolved, and will likely elicit passionate responses since those institutions subject to the levy would be disadvantaged concerning those that are not. It is worth noting that the existing levies do not encounter such demarcation problems because inclusion is clearly related to the purpose of the levy – all CRICOS-registered institutions pay the CRICOS levy, all non-government institutions pay the Tuition Protection levy, and in New Zealand, all institutions that enrol international students pay the Export Education Levy. In the next section, we consider how the redistributive dimensions of a levy might work, which will likely influence which institutions’ students are required to pay.

ISSUE 2. PUBLIC REDISTRIBUTION OF PRIVATE FEE INCOME

The second issue is around the public redistribution of private fee income. A redistributive levy raises several issues around equity between higher education institutions and raises the question of whether it is reasonable for fee income to be redistributed from high-income to low-income universities.

The key structural issue at play here is that Australia has two distinct methods of allocating funding to institutions, one directed by the government and one directed by students. This binary student funding system has been in place since the mid-1980s when international student fees were decoupled from public funding.

The Commonwealth distributes funding between the universities to support the long-term health of universities across the country. The government locks in a degree of equity between institutions by fixing both the government contribution and maximum student contribution for Commonwealth Support Places (CSP) at the same level for each provider. CSP students do not really drive funding in this system, since in practice each institution is allocated a limited number of places by the government.

The situation is very different for full fee-paying students, both international and postgraduate-coursework domestic, who can choose between a large number of offerings in a very competitive market that features a diversity of offerings, locations and prices. In effect, these students choose which institution they will fund. The situation is the same for domestic and international fee-paying students, in that institutions can determine entry requirements, price and the number of fee-paying students they choose to admit. It has become commonplace for universities to charge higher prices to international students than to domestic full-fee-paying students, but there is no regulatory requirement for them to do so. The cumulative effect of the individual decisions of fee-paying students results in a very different pattern of private funding as compared with public funding.

The contribution that international student fees make is particularly important to the finances of some universities and less so for most. The international fee income for 2021 is shown in Figure 2, highlighting that five universities had significantly higher international revenue than the rest.

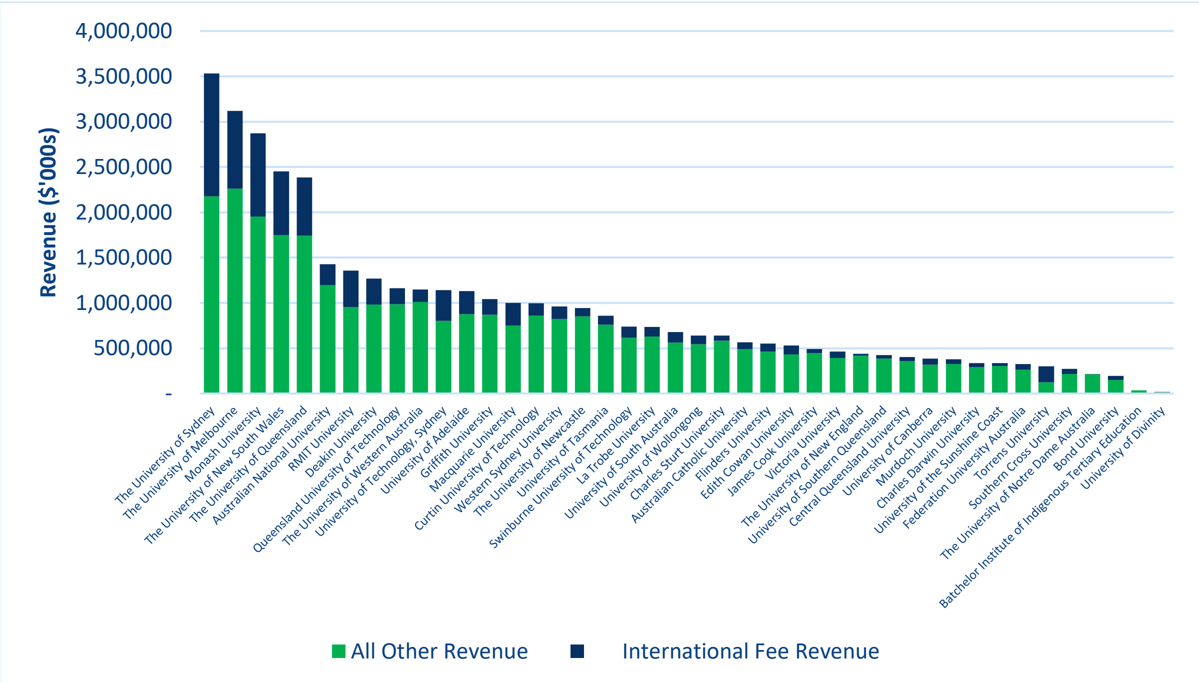

Figure 2: International Student Revenue ($'000s), 2021

While the full data is not yet available for 2022, Figure 3 shows a similar pattern for those universities with a high proportion of international revenue, with the same five institutions at the top of the list.

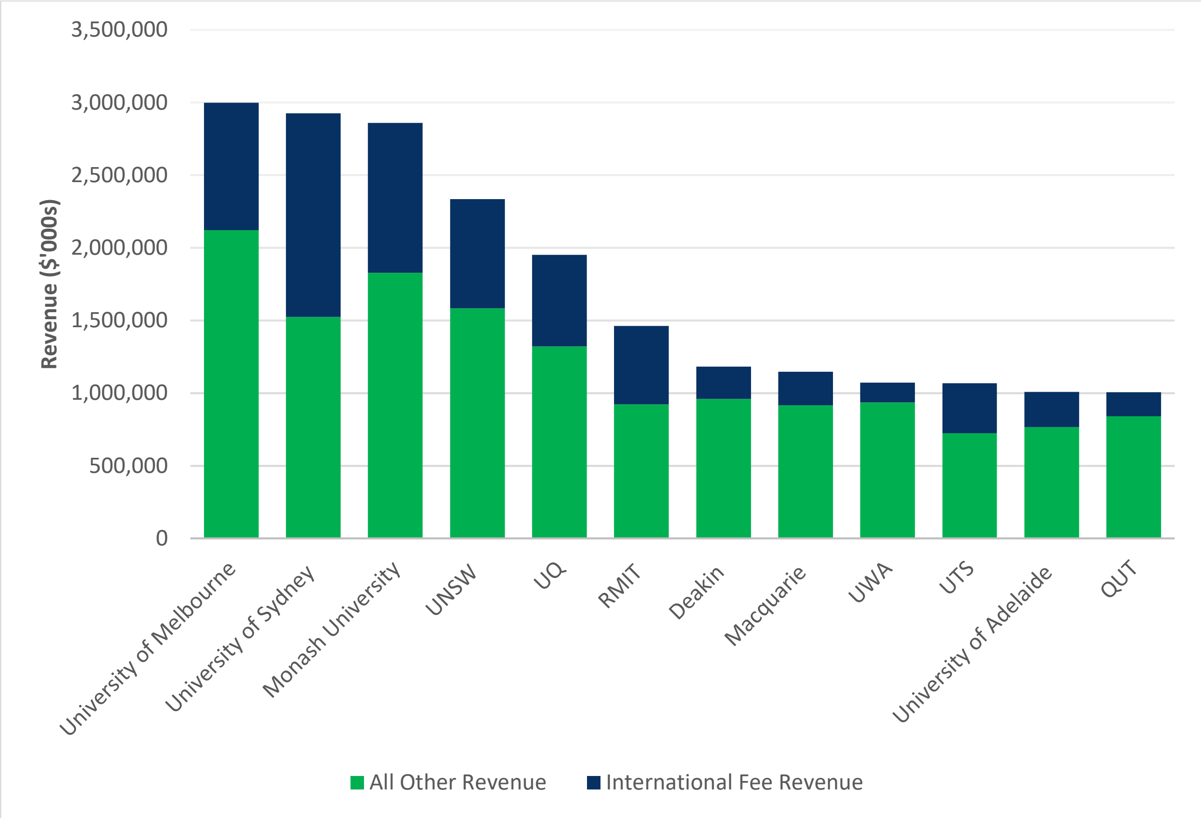

Figure 3: International Student Revenue ($'000s), 2022

While fee income largely reflects total international student numbers, it does not do so exactly due to the different fee levels (hence the wide range of average fees per student noted previously). Despite the significant disparities between both the number of international students that are enrolled at different universities and the total fee revenue that this generates, it is clear many of those universities with the largest number of students also command the highest fees per student.

Figure 4 shows that in 2021 over two-thirds of international higher education students were in 12 universities, with over a third in just four institutions.

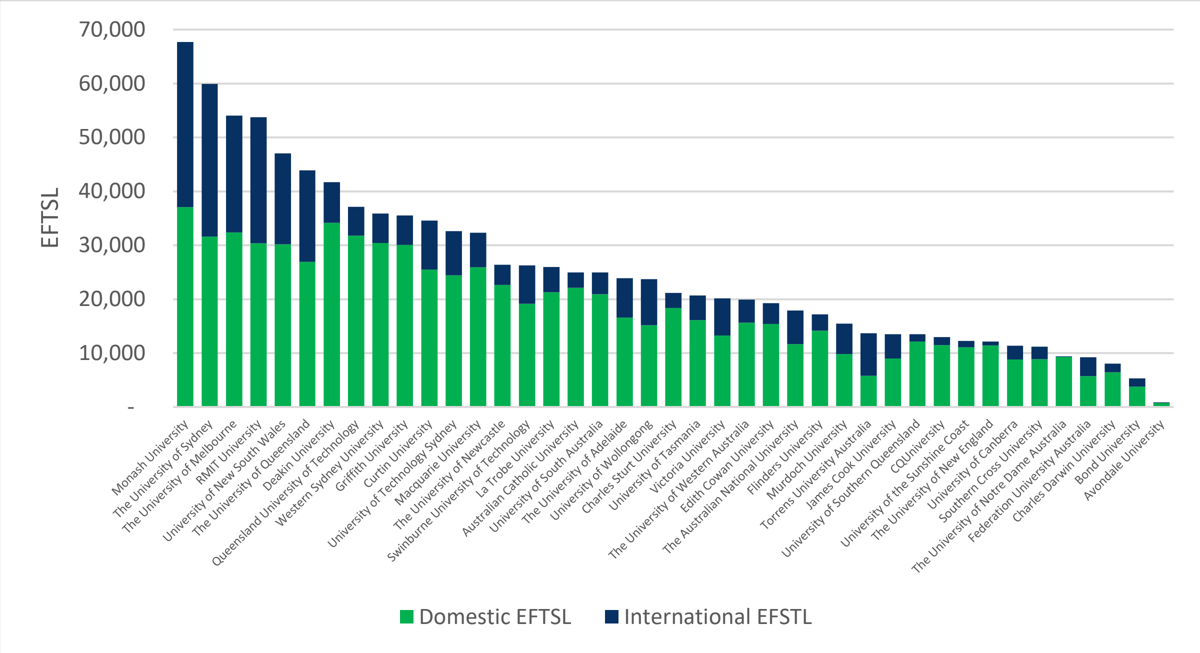

Figure 4: Student numbers, Equivalent Full Time Student Load (EFTSL), 2021

The proposed levy in effect would be a mechanism to redirect private funding so that its distribution more closely reflects the pattern of public funding. When domestic students make financial ‘contributions’ through HECS-HELP and FEE-HELP, some of the money funds infrastructure and other activities that will benefit future students. Similarly, international students pay high fees for Australian university education, which are in part based on rankings driven by research outcomes rather than educational ones.

Proponents of a levy argue that redistribution of fee income is its key objective. For example, The University of Newcastle's submission observes that “Many major export industries – minerals, energy, resources and agriculture – provide a percentage of income to public revenue as part of a social compact” and proposes that the same could apply for international student revenue (University of Newcastle, 2023, p. 8). However, what is being proposed here is not for universities to provide a percentage of their income to public revenue, instead what is being proposed is to redistribute students’ fees from the providers in which they chose to study to other providers that have fewer full-fee paying students. Applied to the mining sector, this would see the largest or most profitable resource companies being required to transfer some of their revenues to smaller or less profitable companies.

The University of Newcastle argues that redistribution is justified on the observation that “international student income is Australia’s third largest export, contributing nearly 30% of sector revenue in 2019, however, it is primarily focussed in capital cities” (University of Newcastle, 2023, p. 8). The implication here is that some universities can earn significant premiums, sometimes styled as ‘super profits’, simply by virtue of their location, rather than being related to something intrinsic to their offering. Calls for redistribution necessarily rely on the principle that those institutions with higher levels of fee income have an obligation to fund those with less fee income. This is clearly at odds with the core tenets of the competitive market that has been established for several decades in which Australian universities have been required to compete with each other and with overseas competitors for fee-paying students.

The Interim Report does not propose any mechanism for the redistribution of fee income between universities. The University of Technology Sydney, one of the submissions proposing a levy early in 2023, suggests that the levy could apply to “revenue above an agreed threshold (or proportion of teaching income or teaching load) from international student tuition fees in-country (i.e. excludes transnational education) to create a shared resource.” (UTS, 2023, p. 9). Curiously, UTS’s later submission in response to the Interim Report makes no mention of the levy proposal (UTS, 2023).

How much would each university contribute?

The extent to which a levy could provide a tangible redistribution of funds depends on the quantum of funds collected. The existing levies in Australia and New Zealand collect a small amount, as noted above, but to make an appreciable contribution to system-wide research or infrastructure funding, clearly, a much higher rate would be required.

The table below provides a rough estimate of the impact of a 5% levy on international student fees for each university, using 2021 financial data. This fee data includes revenue from offshore branch campuses and partner-supported transnational education which would likely be excluded from a levy. This would have collected over $430 million in 2021.

Table 3: University contributions to a levy based on 5% of international revenue

University	Levy, 2021 ($’000s)	University	Levy, 2021 ($’000s)
Australian Catholic University	3,805	**Swinburne University of Technology**	6,107
Australian National University	11,537	**The University of Melbourne**	42,819
Bond University	2,385	**The University of New England**	1,064
Central Queensland University	2,317	**The University of New South Wales**	35,131
Charles Darwin University	2,406	**The University of Newcastle**	4,688
Charles Sturt University	2,751	**The University of Notre Dame**	239
Curtin University of Technology	6,797	**The University of Queensland**	32,223
Deakin University	14,309	**The University of Sydney**	67,718
Edith Cowan University	4,847	**The University of Western Australia**	6,924
Federation University	3,172	**Torrens University**	8,880
Flinders University	4,432	**University of Adelaide**	12,685
Griffith University	8,656	**University of Canberra**	3,227
James Cook University	2,304	**University of South Australia**	5,796
La Trobe University	5,214	**University of Southern Queensland**	1,960
Macquarie University	12,630	**University of Tasmania**	4,888
Monash University	45,876	**University of Technology, Sydney**	17,045
Murdoch University	2,673	**University of the Sunshine Coast**	1,570
Queensland University of Technology	8,836	**University of Wollongong**	4,882
RMIT University	20,082	**Victoria University**	3,685
Southern Cross University	2,816	**Western Sydney University**	6,815

Total	436,191

Of course, this table only shows one side of the ledger, and the net financial impact on each university would depend upon how the levy funds would be disbursed. Yet it is striking that half of the levy would be collected from the five largest universities. If this fund were simply distributed evenly to all 40 universities, nearly three-quarters of them (29) would be better off. And yet despite this, very little support for the levy has been forthcoming from any quarters.

How would the levy be spent?

There has so far been very little discussion of what a levy would fund and how. Proposals for a levy have variously suggested that "funds support agreed strategic priorities for the Australian university sector (priorities agreed with those members that were levied), including infrastructure" (UTS, 2023, p. 9) or "with the goal of widening participation, or supporting research" (University of Newcastle, 2023, p. 8). Minister Clare in an address to the National Press Club said that a levy "could do multiple things like protect the sector from future economic shocks and help fund things like infrastructure or research or student housing".

Politically, this lack of a clear vision for the levy is a problem. While the costs of a levy are very clear to the students who would fund it, and to the institutions that enrol the largest numbers of international students and charge the highest fees who would pay it, it is not at all clear who would be the ultimate beneficiaries and how they would benefit. Consequently, to date, there has emerged no constituency willing to come out in favour of the idea.

The idea of establishing a sinking fund to protect against volatility in the international education market, a kind of sovereign wealth fund for universities, further undermines the appeal of the proposal in the short term. Building up a reserve would entail withdrawing hundreds of millions of dollars of fee revenue from the sector for several years until a target is reached. While this accumulation is underway, far more money will be collected by the levy than is being redistributed across the sector. Politically, this aspect of the levy is immensely challenging, as the pain would be felt immediately, and would be very visible, whereas the full benefits would not be realised until years later when expenditure began to match the amount of funds being collected. It would seem to be much more straightforward to simply require universities to manage their volatility themselves.

ISSUE 3. IMPACT ON INTERNATIONAL STUDENT ENROLMENTS

The third major issue facing the levy proposal is the impact that higher fees would have on demand. To access funds to pay the levy, universities could respond by reducing expenditures and by increasing fees, with the balance of the two approaches determined by their individual circumstances. The Business Council of Australia expressed a concern that the larger and more highly ranked universities may be more readily able to pass on the fee increases to students compared with other institutions whose students are more price-sensitive (BCA, 2023).

In its response to the Interim Report the Group of Eight presented modelling of the impact of a $500 million levy on universities, where the full amount is to be passed on to students through higher fees. They argue that this would result in 27,800 fewer international students, an annual reduction in universities' international tuition fees of $158.9 million, a reduction in other export revenue of $771.9 million from reduced spending on goods and services by international students, and a loss of around 2,800 jobs (Group of Eight, 2023). Interestingly, the Group of Eight chose not to model the impact of an alternative scenario in which these institutions would cut hundreds of millions of dollars in spending per year, and the reduction in staffing and research that would result.

Victoria University's Centre of Policy Studies has also modelled the economic impact of a 5% tax on international student fees at all vocational and higher education providers (Locky Liu et al., 2023). Their modelling suggests that a levy at this level would result in a decrease in international student numbers of around 6.6%.

Concerns about the negative impact of increased fees were expressed in many of the submissions responding to the Interim Report, including from some unexpected quarters. One might have expected the Property Council of Australia's Student Accommodation Council to come out in support of the levy, considering that the Minister has suggested that a levy might be used to fund student housing. But even they expressed opposition to a levy due to concern that it would reduce Australia's attractiveness, resulting in fewer international students which would negatively impact accommodation providers (Student Accommodation Council, 2023).

CONCLUSION

A levy on international student fees that supported a redistributive function would be a radical policy step and go far beyond those effective specific-purpose levies already in operation in Australia. It raises several issues that would need to be carefully considered, as it would likely need to collect a significant amount of money each year which suggests significant implications for international students and universities.

A new levy would exacerbate concerns about equality among students and raise some key questions or whether it is acceptable to impose a levy on international students' fees but not local students' fees, and whether the levy should be imposed on all international students or limited to those in particular types of education providers. Get this wrong and Australia risks exacerbating negative sentiments among international students that they are treated as "cash cows".

A new levy also raises the question of equity between higher education institutions and whether it is reasonable for fee income to be redistributed from high-income to low-income universities. Five universities have had significantly higher international revenue than the rest in recent years, and depending on the design it is likely they would provide the lion's share of the contributions.

Without transparency and accountability over the different purposes for which the funds are used, students might rightly ask whether they are receiving value for money. Were a levy to cause a major drop in Australia's share of the international education market, it may ultimately be a self-defeating policy.

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