International Study Visitors to Australia and NSW
Market Overview

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Introduction

The purpose of this report is to provide an overview of the international student market in Australia and NSW in particular and to demonstrate the complexity of the market. The report quotes 2009 data however the environment has been changing due to economic uncertainty following the Global Financial Crisis, attacks on Indian students in Victoria in 2009 and student visa changes that have reduced the opportunity for education to be used as a pathway to migration into Australia in 2010.

Recent news reports in December 2010 and January 2011 indicate a drop off in student travel to Australia has occurred. This report should be reviewed and updated once complete 2010 data is available (mid 2011).

Australia has been ranked the fifth most popular destination for studying abroad after USA, UK, Germany and France, highlighting the importance of Australia as an international education provider. The international study market around the world is predicted to continue growing (Source: International Monetary Fund, World Economic Outlook, Oct 2008).

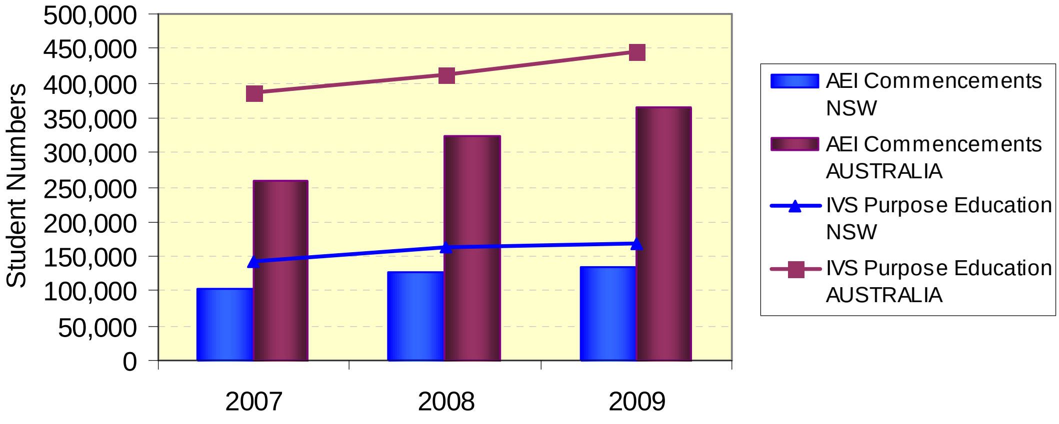
There are various definitions used in Australia to measure the size of the international student market. Australian Education International (AEI) describes an international student as someone who has commenced studying in Australia on a student visa, while the Tourism Research Australia International Visitor Survey (IVS) measures international students by their primary or secondary purpose of visit, regardless of the type of visa they arrived on.

When comparing the two sources, the International Visitor Survey records a higher number of international student visitors studying in Australia (as their primary purpose of visit) as it takes into account those students who are also on other visa types (for example, working holiday maker, employment and holiday visas).

IVS education visitors are people who come to Australia for a period of less than one year to undertake educational activities (including university and TAFE courses, English language courses, vocational education and skills training). The educational activities may or may not be their main purpose of visit or their main activity during their trip.

The chart below represents student numbers from both AEI and the IVS. The corresponding trends from 2007 to 2009 demonstrate that despite measuring slightly different markets, both data sources tell the same story - that the international student market for both Australia and New South Wales has been growing but the growth has slowed recently. Both sources are analysed throughout this report as the AEI information provides curriculum details while the IVS contains more demographic data.

IVS Definition vs AEI Definition



In 2009, AEI states that there were 364,339 international students who had commenced studying in Australia on a student visa, an increase of 13% on 2008 figures.

Similarly, the IVS indicates that there were 446,029 students whose purpose of visit was for Education, an increase of 9% on 2008.

The IVS shows that the average number of nights spent in Australia by a study visitor is much higher than the non-study visitors, with more than one-third of all international visitor nights in Australia undertaken by study visitors.

The NSW Education Tourism Taskforce Report and Strategic Plan (2009) reports that when study tourists are researching study destinations, a number of facts are evaluated. They include destination appeal, the quality of education on offer, whether it is a friendly and safe destination, the range of multicultural communities, value for money, opportunities for immigration, opportunities for investment and whether the destination is predominantly English speaking.

According to Dr Sean Gallagher, the chief operating officer at the US Studies Centre, the four main pillars for attracting students to Australia are a quality education, a secure and safe environment, affordability and a pathway to Australian residency (Sydney Morning Herald, 14 July 2010). However events such as the attacks on Indian students in Melbourne in 2009, the stronger Australian dollar and changes to visa entitlements mean that Australia is beginning to experience fierce international competition, particularly from the United States, across these four areas.

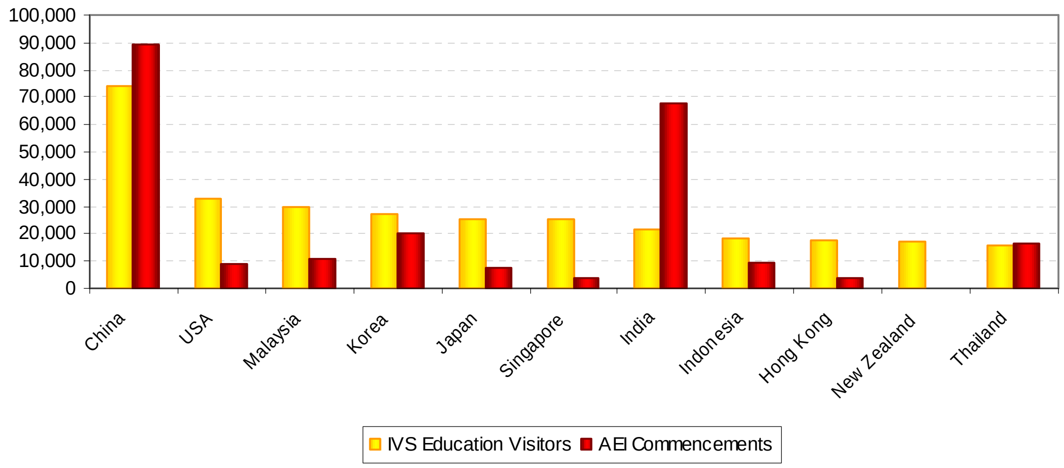
Source Markets

Australia's high share of international students is driven by the East Asia and Pacific markets, with three in five tertiary students sourced from these regions. In 2009, AEI confirms the top international source markets for study on a student visa in Australia were China, India, Korea, Malaysia and Thailand.

The IVS differs slightly with the USA ranking second in terms of student numbers in Australia. A key reason for the difference is due to most American students opting to study short non-award courses in Australia, often not requiring student visas. The demand for English language courses and university courses amongst American students is low due to the standards of education offered in the USA.

Another key difference in source market visitation is amongst Indian students. The IVS records Indian students as the seventh largest source market for study visitors, however AEI data records them as the second largest source market on student a student visa. A key reason for this difference is that AEI data captures everyone on a student visa, regardless of whether they stay on in Australia or not. In contrast, many Indian students may not be captured in the IVS, since the IVS only surveys departing visitors (and only those who stayed in Australia for less than 12 months). If many Indian students embark on their studies in Australia as a pathway to permanent residency, they are not captured in the IVS when departing Australia.

Top Student Source Markets to Australia in 2009



In the future, Australia is expecting to experience further growth from the major source markets China, India, Indonesia, Malaysia and Korea (Access Economics, 2009)

Travel in Australia

While the Asian markets are expected to produce the most growth in Australia, information from the student tour company Colourful Trips suggests that these markets are less likely to disperse and travel throughout Australia while studying here.

The IVS supports these claims showing that American and European students have a much higher propensity to disperse and tend to make more trips to destinations away from their place of study. A key point to consider is that although Chinese and Korean education visitors are less likely to disperse, a small proportion still do. Given that China and Korea are substantially larger than most of the European markets, the actual number of Asian students dispersing is very similar to European and American figures.

Barriers contributing to a lower propensity to travel amongst the Asian markets include: having no travel experience; poor exchange rate; limited finances; limited knowledge of destinations; fear of the unknown; and limited access to information in their language (Colourful Trips Presentation to Education Tourism Taskforce; 26 June 2009).

A 2010 research project by the Sustainable Tourism Cooperative Research Centre (STCRC) called 'International Education Visitation Tourism Opportunities' involved a survey of 5,991 international students, mainly enrolled in university courses. The report indicates that most international students travel to destinations within Australia outside of their place of study, however their trips generally last less than three days. When travelling, the most popular activity undertaken by students is visiting natural attractions.

The STCRC report also indicates that most students travel in groups with their friends, family or partner. They very rarely travel on their own. Their travel party often consists of other international students, predominately of the same nationality.

Economic Contribution of Study Visitors

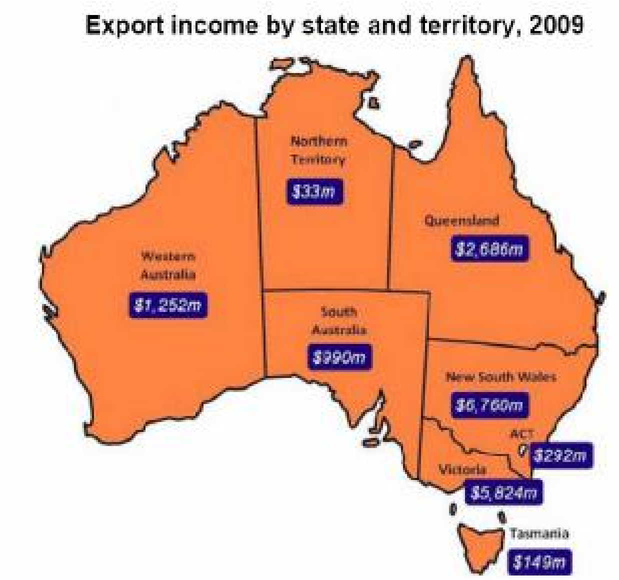
International education activity contributed $18.6 billion in export income to the Australian economy in 2009, up from $17.2 billion the 2008/09 financial year (Australian Bureau of Statistics). China contributes more than one-fifth of the value of Australia's total export education services, and India a further 18%.

Total on-shore earnings from export education was $18 billion with the remainder generated by offshore education activities. On-shore earnings were divided between higher education ($10.4 billion), VET ($4.8 billion), schools ($903 million), ELICOS courses ($1 billion) and non-award courses ($585 million).

When measured using standard National Accounts figures, Education services are Australia's largest services export industry ahead of personal travel services ($12.1 billion) and professional and management consulting services ($3.3 billion). If tourism is classified as an industry and the Tourism Satellite Accounts (ABS) are used, then tourism is ranked higher than education in terms of value of exports.

NSW generates the most income from international students, amounting to $6.8 billion or 38% of the total for Australia. Victoria and Queensland generated $5.8 billion and $2.7 billion respectively.

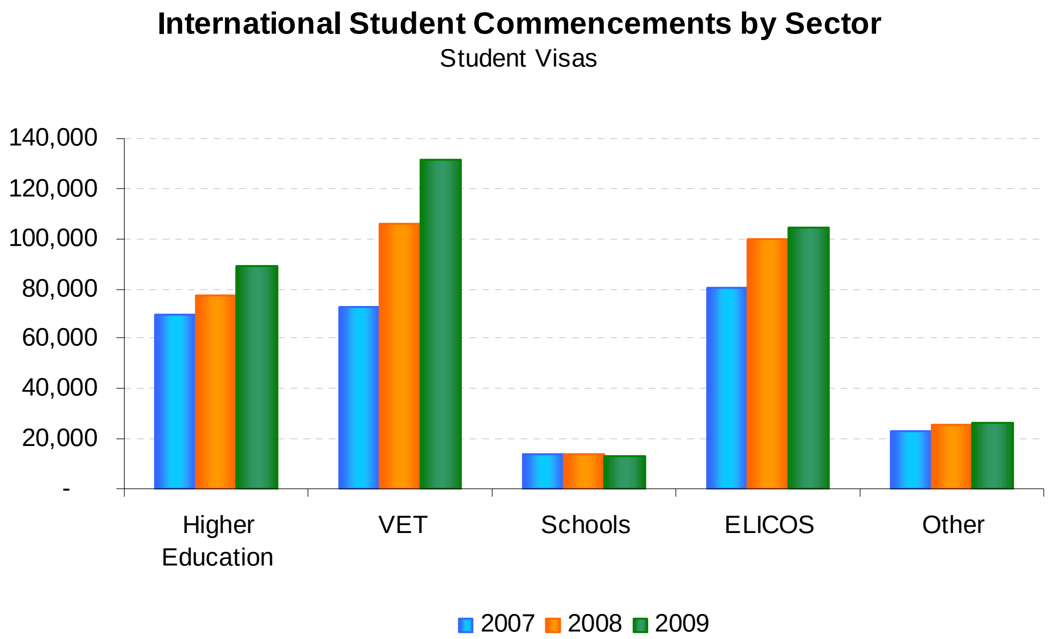
Using National Accounts figures, Education services represent NSW's largest service export, providing 29.5% of total NSW service exports.



Source: Australian Education International, *Export Income to Australia from Education Services in 2009*, Research Snapshot

International Education Sectors

Student commencements can be broken into five major categories of study: Higher Education (University), Vocational Education and Training (VET), English Language Intensive Courses for Overseas Students (ELICOS), Schools and other non-award courses. All these segments except schools have been growing over the past three years.



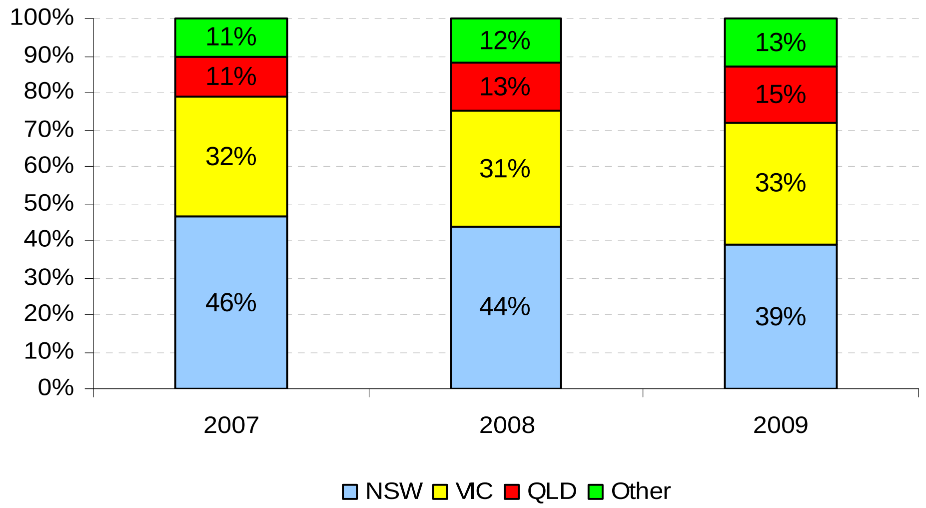
Source: Australian Education International, 2009

- Vocational Education and Training (VET)

The VET sector makes up the largest segment for international study (on a student visa) and recently has experienced stronger growth than all the other segments. Over the latest two years, the VET segment has almost doubled from 73,000 commencements in Australia in 2007 to 132,000 commencements in 2009.

In 2009 the largest field of international VET education in Australia was "Management and Commerce" making up 40% of commencements. "Food, Hospitality and Personal Services" ranked second contributing 29% of commencements.

VET Student Commencements (Student Visa)
Australian Education International



Source: Australian Education International

All Australian states have benefited from the influx of international VET students however the Queensland VET sector experienced stronger growth than the other states, increasing from 7,700 commencements in 2007 to 19,900 in 2009 (+158%). This strong increase has resulted in Queensland increasing their market share of the VET market from 11% to 15%, taking market share from NSW.

NSW grew from 33,700 VET commencements in 2007 to 51,500 in 2009 (+53%). NSW still remains the largest state in Australia for VET students.

Growth between 2007 and 2009 in international VET commencements in Australia was recorded across almost all of the top source markets, excluding USA which declined 5%. The Asian markets dominated this growth, with triple digit growth recorded for both India and Nepal. Nationally, India grew from 18,500 commencements in 2007 to 45,000 in 2009 (+146%). Nepal grew from 4,500 commencements in 2007 to 10,500 in 2009 (+134%).

Victoria is the Australian state attracting the most Indian VET students, with almost half of all Indian VET students commencing studying in Victoria. Queensland, South Australia and Western Australia are smaller markets but are also experiencing strong growth in the Indian VET market.

In the first four months of 2010 following the highly publicised attacks on Indian students, VET commencements from India to Australia dropped 21%.

NSW remains the largest state for commencements of Nepalese VET students, however stronger growth has been experienced by Victoria, South Australia and Western Australia who have consequently taken market share of the NSW Nepalese VET market.

- English Language Intensive Courses for Overseas Students (ELICOS)

AEI ELICOS data captures only students studying an English language course on a student visa. English Australia's Survey of Major Regional Markets for ELICOS Institutions suggests that in 2009, 33% of English language students held either a holiday, working holiday or other type of visa and is therefore not captured in AEI data. Given that the English Australia research captures more of the ELICOS market, the results in this section are sourced from English Australia's 2009 Survey of Major Regional Markets for ELICOS, which focuses on enrolments rather than commencements.

Total ELICOS enrolment numbers for Australia in 2009 were 155,614, a decrease of 4% compared with 2008. The ELICOS sector however more than doubled in size in the five year period of 2003 to 2008.

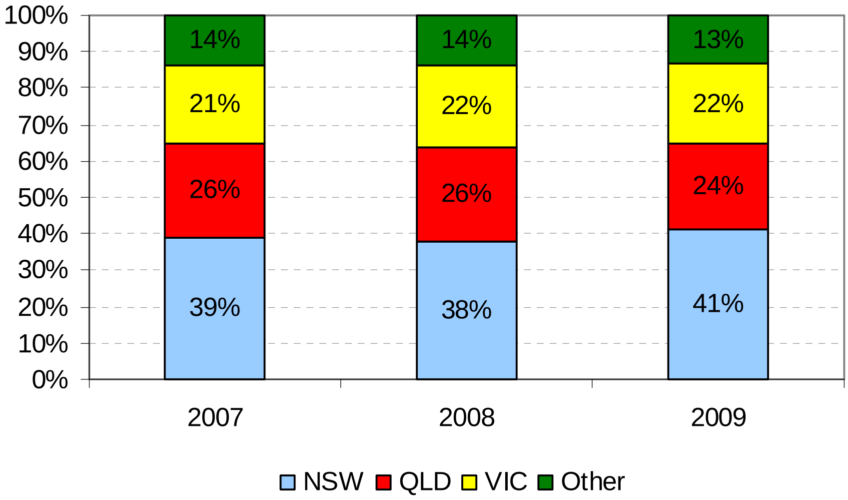
The top ten source countries for 2009 were (in order): China, South Korea, Japan, India, Brazil, Thailand, Vietnam, Colombia, Saudi Arabia and Switzerland (which returned to the top ten at the expense of Taiwan) (English Australia 2010).

The proportion of enrolments contributed by each region has therefore shifted slightly between 2008 and 2009. Asia remained the largest source of enrolments, accounting for 68% of the total down from 73% in 2008. All other regions increased their share. Europe increased its share from 11% to 14%, Central & South America increased their share from 11% to 12% and the Middle East increased its share from 5% to 6%.

In 2009, only NSW showed growth in ELICOS enrolments (+2%). WA experienced the largest percentage decline by 15% or 2,344 enrolments and Queensland declined 9% or 3,881 enrolments.

In 2009 NSW increased its market share at the expense of Queensland and WA. NSW accounted for 41% of all enrolments in 2009, followed by Queensland (24%), Victoria (22%), Western Australia (9%) and South Australia (4%).

ELICOS Enrolments



Source: English Australia

- <u>Higher Education (Universities)</u>

AEI data demonstrates that higher education commencements grew 15% in 2009 to 89,000 and contributed 24% of all international students on a student visa.

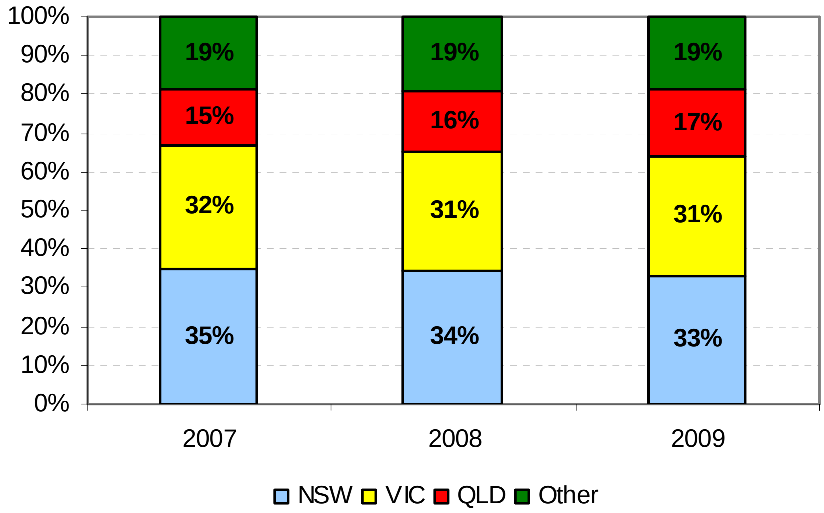
The majority of commencements came from Asia, with China contributing 34% to commencements and India contributing 12%.

The Chinese higher education market grew 28% in 2009.

NSW holds one-third of the higher education market. Market share across all states has remained fairly flat between 2008 and 2009, with NSW losing only one percentage point to Queensland.

Higher Education Student Commencements (Student Visa)

Australian Education International



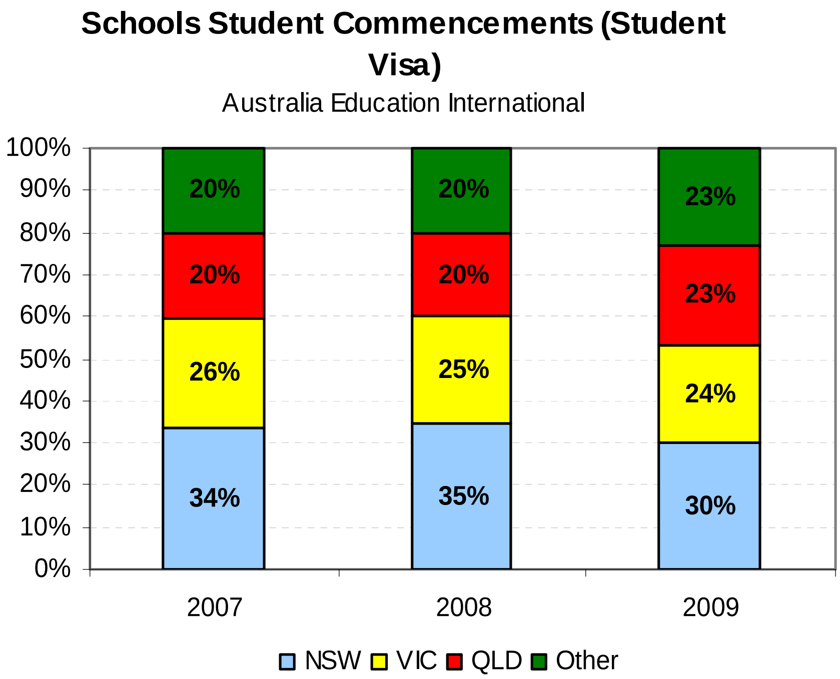
Source: Australian Education International

- <u>Schools</u>

Commencements for schools in Australia decreased by -9% in 2009 with NSW in particular decreasing by -22%. QLD and SA grew by 7% and 14% respectively.

NSW still maintains the majority of the school market at 30%, however it lost 5 percentage points share from the previous year.

Nationally there were only 13,010 school commencements in 2009. The majority of commencements came from Asia, with China contributing 42% however the number of commencements decreased by 21% between 2008 and 2009.



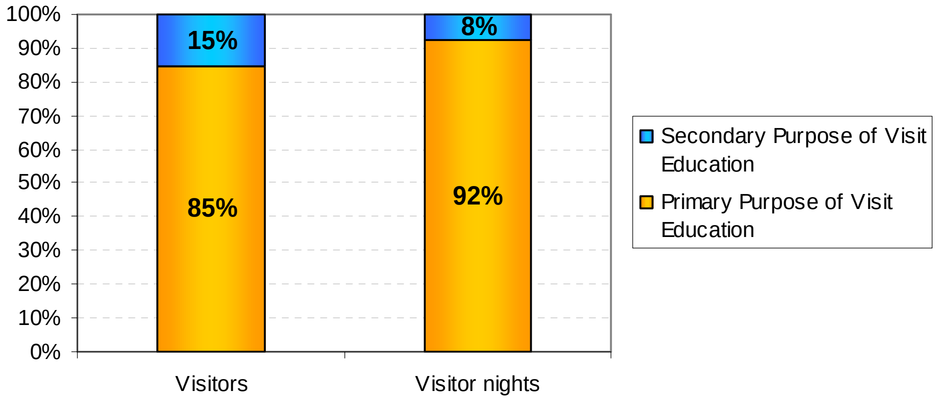
Source: Australian Education international

Education: Primary vs Secondary Purpose of Visit

The IVS breaks international education visitors into two key segments: those who came here specifically to study and those who arrived for another purpose but studied during their trip.

The two markets have different characteristics, therefore it is useful to look at the features that distinguish the two segments.

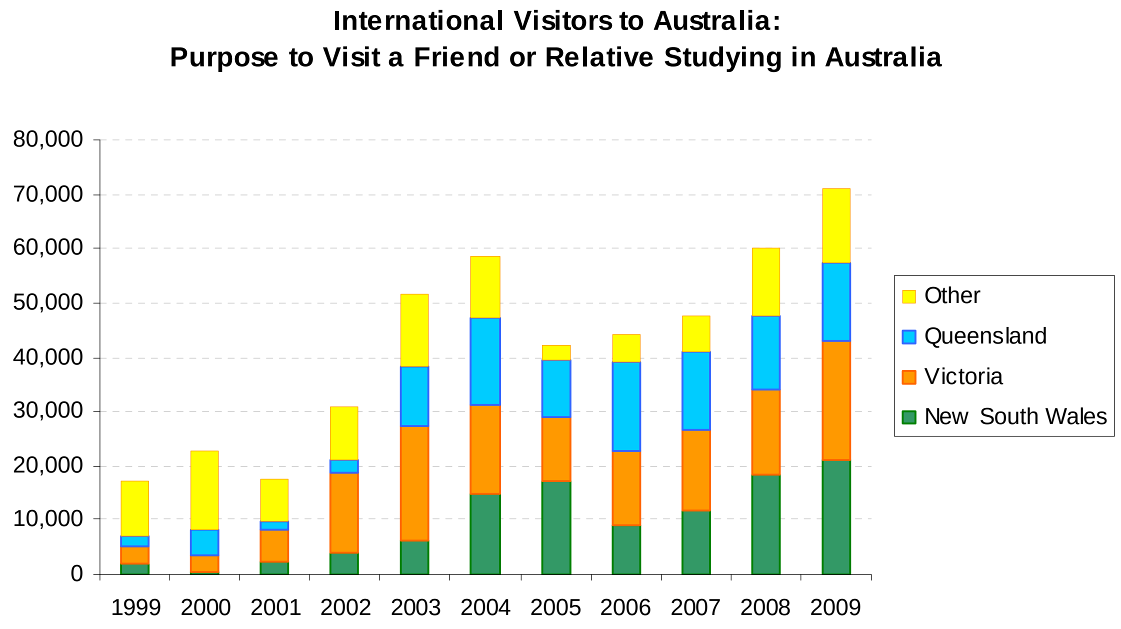
International Education Purpose of Visit to Australia 2009



Study visitors whose *primary* purpose is to study tend to be enrolled in university course, are more likely to stay in rental accommodation, are likely to be aged between 15 and 29, stay longer in Australia and spend more per trip. The top source markets for these study tourists are China, Japan and Korea.

Study visitors who pick up a course once here tend to spend less per trip (as their fees are generally lower) and less per night, stay in Australia for around for three to six months and are more likely to come to study an English language course, a work-related course or to be on job/internal training. More than half of these study visitors' main purpose of visit to Australia was for a holiday. They are more likely to spend their money on tourism-related products such as airfares, tours and transport, while the formal study tourist spends a large proportion on education expenses.

International 'Visiting Friends and Relatives' (VFR) as a Result of Education Visitors



The number of international visitors that are visiting a friend or relative studying in Australia has been increasing since 2005. The IVS recorded a slight decrease in international students between 2004 and 2005, explaining the decline in international student VFR.

For every six international students studying in Australia in 2009 one international VFR visitor was generated. The average length of stay for these VFR visitors is 19 nights. This is two nights longer than the average length of stay in Australia for all international VFR visitors.

Victoria received the most international student VFR visitors in 2009 (22,000), closely followed by NSW (21,000) then Queensland (14,000). The growth of international student VFR between 2008 and 2009 nationally was 17%, clearly driven by Victoria who experienced 43% growth. NSW experienced 14% growth and Queensland experienced 5%.

There is a market opportunity for tourism operators to work in partnership with education providers to boost VFR in NSW, particularly around the graduation period. The STCRC research revealed that many university students felt that there was a strong possibility that their parents would travel to Australia to attend their graduation, particularly amongst Asian students (STCRC*, International Education Visitation Tourism Opportunities*, 2010).

Over the last five years, just over half of the international student VFR nights were spent in the home of the friend or relative. A quarter of the nights were

spent in a rented house or flat, and the remainder of nights were spent in other forms of tourist accommodation.

Tourism Opportunities

It is quite clear that the international student market is an extremely important market segment for the tourism industry to focus on. Opportunities present themselves not only in attracting international students to study in Australia, but also in:

- Motivating international students to disperse and travel throughout Australia and New South Wales.
- Using international students as ambassadors for Australia, who would promote and encourage other students they encounter to travel here.
- Encouraging further repeat visits to New South Wales and Australia once the student has completed their course.
- Attracting the friends and relatives from the student's home country.

(Source: STCRC, *International Education Visitation Tourism Opportunities*, 2010).

Opportunities for the tourism industry to leverage off the study-tourist include promoting activities such as touring, homestays, holidays, return holiday visits, visiting friends and relatives, day/overnight excursions as part of the curriculum, English courses associated with longer stay, family holidays and backpacking holidays.

A recent forum hosted by the Backpacker Operators Association (BOA) and the Australian Tourism Export Council (ATEC) provided NSW tourism operators with tips and contacts on how to market to this important market segment. A copy of this information can be downloaded at: www.boansw.org.au

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