Transport Concessions for International Students: A Position Paper

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Executive Summary

A key issue identified in the Universities Australia Ten-Point Action Plan on Student Safety was the absence of suitable transport concessions provided to international students - particularly so in NSW and Victoria. Both Governments have remained strongly opposed to issuing such concessions even in the face of the recent public debate on international student safety.

This paper:

- examines the arguments surrounding the issue of travel concessions for international students;
- identifies the costs and benefits of implementing transport concessions for those students in NSW and Victoria (including estimated cost to state government revenue); and
- recommends the best way forward on this issue.

It is concluded that given the spate of attacks on international students and the attendant public debate and diplomatic difficulties, not to say the consequences for the affected individuals, action on travel concessions for international students will send a clear message that the responsible governments in Australia wish to do all they can to welcome and support such students in an equitable way.

Universities Australia strongly believes and recommends that government travel concessions for full-time students should be extended to international undergraduates and to both domestic and international postgraduate students on a nationally consistent basis.

Background

Transport concessions for international tertiary students are currently available in all states and territories except NSW and Victoria (Attachment A), with these two states accounting for almost 60 per cent of the overall international student load. These states have argued that such concessions would be an unreasonable impost on their budgets; that international students are supposed to be self-sufficient in terms of meeting living costs; that the system is already subsidised; and that the revenue from the non-concession fares is used to improve the transport system.

The case for student concessions has been argued by universities, student groups and reviews such as the 2008 House of Representatives Inquiry into Research Training. The argument is both monetary and non-monetary. As the following section demonstrates, the economic value of international students to the states exceeds the cost of concessions many times over; and it may be beneficial to proceed with a national approach to mitigate against any damage to Australia’s standing as an international student destination.

Some international students claim the absence of parity with their domestic counterparts indicates an exploitative or ‘cash cow’ mentality in these states. Even in pecuniary terms, such national and local reputational damage could cost state revenues much more than the presumed cost of concessions. It also stands awkwardly in contrast with state and territory industry development objectives in the knowledge sector, including for attraction of international businesses.

As discussed in detail below, it is also arguable that likely revenue losses are overstated by transport authorities and state governments. Students’ response, given their budgets and travel patterns, is likely to generate significant off-peak traffic and revenue without stretching capacity.
Denying travel concessions to international students may also be discriminatory. The argument that international students are not citizens is correct. But transport, unlike voting or social security entitlements, is not a citizenship issue but a residence issue. International students are temporary residents paying state/territory, GST and income taxes in exactly the same way as their domestic counterparts, and the same arguments regarding costs of access to study apply with the same force.

Absence of equal concessions could also be harmful to learning outcomes and student safety. It arguably reduces the accessibility of campus facilities, increases the need for students to undertake paid employment and may discourage students from using public transport at times when it would be safer to do so. In addition, discouraging public transport use for international students may further increase road congestion and the need for car parks on or adjacent to campus land, employment locations and residences thus producing undesirable environmental impacts.

Discussion

Based on DEEWR student statistics for full-time onshore university students, NSW had 43,000 (27%) of the 161,000 international students and Victoria had 50,000 (31%) in 2007. The estimated average cost of travel concessions would be $25 per week ($1,050pa) in NSW and $84.50 per month ($1,014pa) in Victoria per student (based on 50 per cent of the mid-point cost of available travel passes), with a total yearly cost to government revenue in NSW of $43 million and in Victoria $51 million, assuming the same travel pattern with and without concessions.

NSW and Victoria also restrict access to transport concessions for domestic postgraduate students. If international postgraduate students were similarly excluded, this would mean the cost of international student concessions would be $25 million in NSW and $30 million in Victoria, i.e. $55 million annually for the two states together.

As indicated, these figures though assume no resulting increase in demand (and hence no offsetting additional revenue) from the introduction of concessions. Public transport elasticity studies suggest that the actual cost of providing concessions will be lower than the maximums projected above, because concessions will induce some more usage.

For example, the ACT Transport Demand Elasticities Study by Booz, Allen and Hamilton in 2003 suggests that for all bus passengers, a decrease in fares by 50 per cent would increase patronage by 10 per cent (an elasticity of -.20). Taplin, Hensher and Smith in a study in 1999 found an elasticity for Sydney train and bus patrons of -.186 and -.151.

According to advice from Professor David Hensher of the of the Institute of Transport and Logistics Studies at The University of Sydney, the elasticity for students alone in countries such as the Netherlands and the USA has been found to be higher and varies from about -.26 to -.50. If the elasticity for international students in Australia was similar to the studies quoted then reduction in the need for a $55 million direct student subsidy for NSW and Victoria would be as per the following table.
However, these available elasticity estimates apply to all passengers or to all students. Clearly students have higher levels of responsiveness to concessions than all passengers. This is likely to reflect their age and limited budgets. Responsiveness is likely to be even more to the higher end of elasticity for international students than for domestic students as international students have constrained budgets combined with fewer alternative personal transport options. So the reduced subsidy number for international students alone is likely to more at the upper end of this range.

It is possible that the subsidy cost of international undergraduate travel concessions might be more like $40 million or less for NSW and Victoria, than $55 million. This can be contrasted with the NSW and Victoria tax benefit from international students of $400 million or more, as calibrated above. A ten percent rebate for maintaining the international goodwill underpinning these tax payoffs and wider benefits could be said to be a small price to pay.

Regrettably for such an important and contested issue there have been no public studies of Australian student transport elasticity. As part of an evidence-based approach to transport concessions, Universities Australia believes there is a need for an expert and transparent study of tertiary student public transport use in Australia. This study could not only look at demand elasticity but also timetables, routes, and carrying capacity, and could serve as an informed and accountable policy approach to any compensation issues required, e.g. for transport operators.

The study could also encompass a separate component which also provided modelling which would produce thorough current estimates of the economic benefits of the international student presence, including the contributions to state and territory revenues.iv

As an indication of the level of such revenues, according to ABS data in 2008 international higher education students spent $8.9 billion on non-fee expenses. Of these about 25% were for GST-free expenses such as food and groceries. This leaves $6.7 billion of GST-related expenditure or a GST revenue of just over $600 million. Based on their share of student numbers, this means that NSW received $173 million and Victoria $185 million in international student GST receipts alone in 2008.

This gain is in addition to their contribution to government revenue and the economy more broadly through labour force participation and other means, which could itself be articulated by the further economic modelling, but may be of the order of $40 million per annum in transfers from income tax receipts alone to NSW and Victoria under special purpose payment transfers. Payroll tax, and other revenues would accrue directly to state and territory governments.
Further gains come where international students seek permanent residency. Over half of general skilled migration for the past decade has come from former international students. These migrants have Australian qualifications and networks. Studies of the economic contribution of general skilled migration show huge economic benefits and major contributions to state and federal revenues. These too should be ascribed to the international student presence.

With the rising value of the dollar and the likelihood of increased competition for students from other countries, the provision of concession fares to both international and postgraduate students seems a strategic investment for the states to protect not only the GST income but also the other monetary and non-monetary benefits that Australia’s international student population brings.

It should also be noted that the majority of international university students are at undergraduate level. If travel concessions are restricted to undergraduate students the postgraduate students may rightfully claim that their expenditure is subsidising the undergraduate travel. In addition, from a safety perspective it would undermine the initiative not to include all international higher education students.

A recent Access Economics analysis indicates that “[e]ach international student (including their friend and family visitors) contributes an average of $28,921 in value added to the Australian economy and generates 0.29 in full-time equivalent (FTE) workers”. So for an investment of merely $1,000 per student Victoria and NSW are risking the loss of $29,000 per student deterred by the present policies.

Given the recent attacks on international students, an important benefit from travel concessions would be increased numbers of students travelling via public transport particularly in off-peak periods. If transport usage increases then the attacks on public transport should become less frequent due to less isolated passengers.

In addition, students will be more likely to choose public transport over walking thus lowering opportunistic attacks in isolated places such as parks and walkways. The inclusion of postgraduate concessions will also increase the proportion of mature age students using public transport that may also reduce the propensity for opportunistic violence against commuters. Increased patronage will also increase integration of international students into the wider community which may also assist with cultural awareness and tolerance issues.

**Conclusion**

Universities Australia strongly believes that travel concessions for full-time students should be extended to international undergraduates and to both domestic and international postgraduate students on a nationally consistent basis.

It believes that this will help to sustain the substantial economic benefits that accrue to Australian governments on a fair and reasonable basis and improve safety. It also believes that the transport concession subsidy costs may well be substantially reduced by greater student usage, and that the costs in all are massively outweighed by economic and social benefit.

**Recommendation**

*It is recommended that Council of Australian Governments (COAG) officials endorse and the Ministerial Council for Tertiary Education and Employment (MCTEE) move to adopt a nationally consistent policy of extending common transport concessions to all full-time tertiary students in Australia.*
Footnotes

4 Access Economics, The Australian Education Sector and the Economic Contribution of International Students April 2009, finds a NSW 2008 value added benefit of $4.8 billion from international students, and Victoria $4.0 billion. AEI estimates the 2008-09 value to be $6.4 billion for NSW and $5.4 billion for Victoria. (AEI Export Income to Australia from Education Services Dec 2009).
<table>
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<th>Rating</th>
<th>State/Territory</th>
<th>Separate travel ID card required?</th>
<th>Health Care Card Holders Eligible?</th>
<th>Undergraduate</th>
<th>Postgraduate</th>
<th>Full time tertiary students</th>
<th>International</th>
<th>Part time students</th>
<th>External</th>
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<td>No (Providers issue Student ID stickers)</td>
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<td>No</td>
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