In a Room Full of Elephants

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July 2025

As debate around proposed caps/restricted access on international student numbers continue to raise the temperature over university funding and associated student immigration there is one elephant that remains largely unobserved. But it is just one elephant in a room full of them.

Reliance on international student income

Recently, Senator David Pocock almost named an *elephant less observed* when he described universities as reliant upon international student income and called the dependency a part of a “Faustian” relationship with government. The trend for international student growth in Australia, Canada and the UK is, of course, not simply predicated upon the espoused academic value of the various qualifications offered there. It also relies upon government added values and potentials.

Pocock’s Faustian element lies in the implied (non-academic) benefits of visa and work entitlements (and potential migration) associated with international students investing in an Australian education. Logically, the degree or vocational qualifications being sought by students exist as academic and scholarly capacities independent of any government added benefits relating to visa status or migration. Yet, the degree or diploma may become a residency ticket.

This government ‘added benefit’ has served Australian universities - and Australia as a nation - exceedingly well in the last two decades. America and the UK (and other nations) have also utilised similar mechanisms to sustain their own HE sectors. But this reliance on international students has created a precarious situation where universities are vulnerable to external factors beyond their control. History, has long demonstrated that markets, including migration pathways, are never stable.

The current international student gold rush (or South Sea Bubble) has always had potential limitations – largely due to competition, economic affordability, geo-political instabilities and graduate employability. Add to this mix looming tariff trade wars and the potential involvement of cultural warriors in migration issues and reliance upon international student revenue might be akin to dancing on increasingly thinning ice.

Where is Australia’s tertiary leadership in ensuring institutional sustainability?

Whilst our universities have relentlessly chased the international revenue cornucopia, the market-driven approach has led to a focus on revenue generation through international student fees, often at the expense of identifying other funding sources. Ultimately, when the debate turns to potential solutions, there is a noticeable lack of innovative thinking and a tendency to recycle old ideas.

Recent leadership strategies have included –

- Public Private Partnerships (PPPs) for expanding or replacing facilities and international delivery of programs.
  These entail profit sharing.

- Accruing substantial property and real estate portfolios, including acquiring iconic inner-city buildings, which has been a very popular wealth growth strategy over the years.
  Less popular though has been liquidating such investments.

- Proposing further government (taxpayer) investment in university research and services capacities.
  There is a great difference in proposing a strategy and having it adopted.

- Seeking to resolve student attrition issues and encouraging increased domestic student uptake.
  This would usually be seen as a normal business responsibility.

- Developing pacts with various industries for cohorts of students to be taken through specific 'curated' university education programs.
  Long seen as a holy grail revenue opportunity – also as hard to find.

- More aggressive marketing to attract more domestic students from diverse cultural and financial backgrounds.
  Isn't this already part of all public universities' original missions?

The above are very standard (Tertiary Management, 101 level) responses to sector funding concerns.

There is no doubt those who also, like Julie Hare and the economist John Howard in the Australian Financial Review, question the veracity of some of the claims of poverty being made within the GO8. Some Australian universities are, undoubtedly, much wealthier than others. Our universities are probably most differentiated by the wealth and patronage they have accrued rather than any major dissimilarities in their academic offerings. Where they are all the same is in their lack of clear answers relating to weathering extensive reductions in international student revenue if the current yellow brick road to wealth comes to an end?

This is an elephant less observed

Whilst debate rages around international student caps and university funding black holes we are hearing little at all about realistic ways in which universities can remain sustainable. We

need to see university leadership solve the threat rather than argue an increasingly fractured narrative around a very unreliable and vulnerable source of revenue.

However, one most obvious response, potentially being alluded to in the recent, and increasing frequency of some Vice-Chancellors' rhetoric around revisiting or amending the accepted Social Licence to Operate environment, might herald a desire to reduce university salary costs and administrative structures.

There is also something about this potential in Business, 101 we recall - What happens when a business expands beyond its ability to remain financially sustainable?

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