

Navitas Submission to the Australian Government's Foreign Policy White Paper – February 2017

Navitas Limited is an ASX 100 company. We are proudly Australian, headquartered in Perth, Western Australia. However, we operate and partner globally with a presence in 60 cities in over 30 countries around the world – meaning we take a close interest in Australia's foreign policy.

We thank the Australian Minister for Foreign Affairs, the Hon Julie Bishop, MP for extending invitations to Navitas – including our Chair, Ms Tracey Horton AO – to participate in the consultation roundtables undertaken during February 2017. Engaging business leaders, academics and the broader community on the development of the white paper in this way adds a richness and depth that is not possible through written submissions alone.

This submission is framed by our over 30 years' experience working in international education both here in Australia and internationally. Our position as an educational institution and partner, and as a large Australian business, gives us a unique perspective on the role international education can play in furthering our country's key interests of prosperity, engagement and security.

International education and prosperity

One of the areas of focus for the foreign policy white paper is to '*establish a roadmap to pursue Australia's economic interests as an open, export-oriented market economy to ensure we continue to capitalise on our competitive advantages, guard against economic risks and maximise national prosperity*'. It is clear that international education, as one of Australia's largest exports, has a major role to play in contributing to Australia's national prosperity. Preliminary data shows international education exports hit a record \$21.8 billion in 2016, making it Australia's third largest export after iron ore and coal.¹ There are over 130,000 full-time jobs² attributable to the international education sector in Australia.

International education, as a leading services industry, is also supporting the Australian economy transition from a heavy reliance on non-renewable mineral resources exports to the infinitely renewable resource of knowledge.³ It helps to ensure Australia has ready access to a pool of highly skilled young people from around the world who wish to contribute to Australian society and the economy.

Over 550,000 international learners chose to come to Australia to undertake their studies in 2016. Importantly, international learners are highly satisfied with their experience studying in Australia. A new survey of 65,000 respondents showed a record nine out of 10 international tertiary learners were either satisfied or very satisfied with the education they had received in Australia.⁴ While demand for onshore, accredited qualifications is set to continue – thanks mainly to the growing Asian middle-class – there is also a huge opportunity to reach many more learners globally through borderless education.⁵

We consider onshore and borderless international education in turn.

¹ See – <http://www.senatorbirmingham.com.au/Media-Centre/Media-Releases/ID/3399/International-student-sector-smashes-records>

² See – <http://www.senatorbirmingham.com.au/Media-Centre/Media-Releases/ID/3399/International-student-sector-smashes-records>

³ Deloitte, *Positioning for prosperity? Report* available at <https://www2.deloitte.com/au/en/pages/building-lucky-country/articles/positioning-for-prosperity.html>

⁴ See – <http://www.senatorbirmingham.com.au/Media-Centre/Media-Releases/ID/3399/International-student-sector-smashes-records>

⁵ As highlighted in the Australian Government's AIE2025 Roadmap, the long-term market development program for international education. This is an opportunity to take an expanded view of what constitutes international education beyond young people from around the world arriving on our shores – see <http://www.austrade.gov.au/Australian/Education/Services/Australian-International-Education-2025>.

International education in Australia

Recently released statistics⁶ on international student numbers reveal the sector reached record numbers in 2016. Last year there were 712,884 enrolments generated by 554,179 full-fee paying international students in Australia on a student visa. This represents a 10.9% increase on 2015 and compares with an average annual enrolments growth rate of 6.5% per year over the preceding ten years.⁷

There was strong growth in commencements across all the sectors with non-award programs up 17%, schools increasing 14%, higher education up 13% and vocational education and training growing 10%. It is important to note however that commencement growth in English language courses – known to be a lead indicator of sector performance – slowed to below 4%. A flattening of growth is to be expected given the high rates of growth of previous years. However, it is a timely reminder to providers and governments alike that we need to ensure policy settings (particularly immigration policies), program offerings, learner experience and outcomes, and community acceptance support the ongoing sustainability of the industry.

It is important that we act now on issues such as international student accommodation, urban and regional infrastructure and most critically, community engagement to ensure international education realises its full economic and social potential. This is because, if the growth rates of over 10 per cent that we have seen for the past few years⁸ persist, Australia could be hosting 1.3 million international learners by 2025.⁹ The Australian Government's *National Strategy for International Education*¹⁰ acknowledges these challenges, however Navitas believes that there is also a role for the work undertaken through the foreign policy white paper to address issues such as community engagement and awareness of the benefits of international education to Australia.

Navitas sees great potential for informal education and training delivered in Australia. This type of activity is one of the many close links between international education and tourism. Opportunities such as increasing the number of school-aged study tours, executive training and language study coupled with work experience or internships have great potential.

The nexus between international education and tourism is also clear from the number of friends and family who visit international students living in Australia each year. Research undertaken by Austrade in 2015 suggests a strong correlation between young people visiting Australia as a tourist or working holidaymaker and then returning as a student.

Finally, most international students live, study and work in Australia for an extended period. This means they are an excellent source of talent for the jobs the Australian economy needs to continue to grow and for the entrepreneurs we need to start new enterprises and create jobs for others.

Borderless education

Globally, education is a massive industry with investment of \$5 trillion per annum. A *TechCrunch* (an online industry publication) article from August 2016 highlights the incredible opportunity presented by educational technology (edtech). It notes *'the rise of a new education and learning world has begun with investment in edtech set to reach \$252 billion globally by 2020. Just as*

⁶ http://www.austrade.gov.au/Australian/Education/education-data?utm_campaign=MIP+Weekly+20170222+cc3305&utm_medium=email&utm_source=MIP+Weekly

⁷ file:///T:/Government%20and%20Stakeholder%20Relations/Countries/Australia/Commonwealth/Dept%20of%20Education/International%20Group/12_December_2016_FullYearAnalysis%20-%20student%20statistics.pdf

⁸ <http://www.senatorbirmingham.com.au/Media-Centre/Media-Releases/ID/3399/International-student-sector-smashes-records>

⁹ 554,000 international students in Australia in 2016, compounding growth of 10 per cent for nine years is 1.306 million students.

¹⁰ <http://nsie.education.gov.au/>. It is pleasing to see the whole-of-government approach to international education, with six Australian Government Ministers, including the Minister for Foreign Affairs and Minister for Trade and Investment, members of the Ministerial Council on International Education.

digitalization has transformed the financial services (fintech) industry, it too will soon have its progressive grip wrapped around education.¹¹ In 2015 Deloitte Access Economics and EduWorld quantified the size of this potential opportunity for Australia and estimated by 2025 there would be over one billion learners actively seeking education and skills.¹² There is a huge opportunity for Australian education providers, innovative education businesses and start-ups, and investors to come together to realise this potential future driver of economic prosperity.

Navitas recommends that Australia’s new foreign policy white paper acknowledge and support this broader conception of international education. Following are a couple of examples of how the sector and Navitas are taking this opportunity forward.

EduGrowth

The work stewarded by Austrade to develop the AIE2025 Roadmap¹³ demonstrated the potential of not only traditional international education, but technology-enabled and scalable borderless education, to generate economic growth and high-skilled jobs for Australia.

Through a series of AIE2025 roundtable discussions and ‘deep dives’, representatives from within and outside the education sector recognised the opportunity presented by edtech for driving Australia’s knowledge and innovation economy. These conversations ultimately lead to the establishment of EduGrowth¹⁴, a national, not-for-profit accelerator and incubator dedicated to the Australian edtech sector. While EduGrowth has its own distinct features, given the nature of the industry and its key objectives, it has been modelled to a large extent on Stone and Chalk, Australia’s fintech start-up incubator and accelerator.

EduGrowth brings together a network of public and private education providers across higher education, vocational education and training, K-12 and early childhood learning with edtech founders, start-ups and the investor community. EduGrowth was officially launched in Sydney in October 2016, with the Minister for Education and Training, Senator the Hon Simon Birmingham, providing a video message in support of the initiative. In February, EduGrowth announced its first cohort of full-time accelerator teams.

Navitas is proud to be a founding member of EduGrowth along with Charles Sturt University, Deakin University, Griffith University, Monash University and La Trobe University. EduGrowth aims to...

- Grow the Australian edtech community:
 - Attract more startups to the education technology vertical;
 - Build programs to support the success of the edtech companies; and
 - Drive the growth of technology within traditional education institutions.
- Grow the Australian focus on borderless education opportunities:
 - Develop technological capabilities to reach 100 million learners; and
 - Form strategic partnerships with global networks to build the Australian edtech presence internationally.
- Promote the value of edtech to stakeholders:
 - Government;
 - Business community;
 - Startup community; and
 - Traditional education sector from early childhood through to adult learning.

¹¹ *TechCrunch*, ‘EdTech is the next fintech’, available at <https://techcrunch.com/2016/08/13/edtech-is-the-next-fintech/>

¹² <https://www.austrade.gov.au/australian/education/services/australian-international-education-2025/growth-and-opportunity/growth-and-opportunity>

¹³ AIE2025 Roadmap available at <http://www.austrade.gov.au/Australian/Education/Services/australian-international-education-2025/AIE2025-roadmap>

¹⁴ www.edugrowth.org.au

EduGrowth has a range of programs and activities that it offers to startups from early to late stage development, delivered in partnership with key organisations and educational institution networks. These programs deliver critical learning and development skills in addition to collaboration and networking opportunities. The flagship program is a full time accelerator, designed to take young edtech businesses from infancy to market ready through intensive learning and development. It is the only one of its kind dedicated to developing startups in the education sector. More information on EduGrowth is provided at **Attachment A**.

Navitas Ventures

Navitas Ventures,¹⁵ the corporate venturing arm of Navitas, is an initiative that aims to understand, explore, invest in, and participate in the transformation that is taking place globally in the way education and knowledge is shared, accessed, and delivered.

Our mission is to scale ideas and help build successful teams that unleash human potential and transform the way the world learns. We build, back and partner with entrepreneurs and forward thinking teams around the world with a vision for better and smarter learning.

Navitas Ventures invests equity capital in education technology and startups from seed, series A and late stage. For an insight into Navitas Ventures' early work, see the latest blog post from Patrick Brothers (CEO of Navitas Ventures, CDO of Navitas Limited and Chairman of EduGrowth)¹⁶ and also **Attachment B** for a recent article from the *Australian Financial Review*.

International education and security

Not only is international education critical to Australia's future prosperity, but also by its very nature it is uniquely placed to contribute to Australia's security. For international education is based on qualities of mutual understanding and respect, academic and cultural exchange. The people-to-people, institutional and business links that international education supports are important to furthering Australia's interests in our region and around the world.

In addition to the points raised above, international education contributes to building lasting linkages, connections and shared understanding, through three aspects.

Firstly, international education also encompasses Australians undertaking study experiences overseas. Thanks to a focus on the benefits of international study, and indeed funding commitments from governments, institutions and individual learners, Australia has seen a steady rise in the number of its learners going to another country for part of their studies.

Data from an annual survey released in January this year¹⁷ shows that students from 36 universities undertook 38,144 international study experiences in 2015. This is an increase of 20 per cent on the number of experiences reported by 34 universities in 2014. In 2015, domestic students undertook around 92 per cent of these experiences, the remainder were undertaken by international students. The overseas experiences undertaken by domestic undergraduate students represented 19 per cent of the graduating cohort from the same 36 universities. The equivalent figure for US undergraduates studying abroad in 2014-15 was 15 per cent.¹⁸

¹⁵ www.navitasventures.com

¹⁶ <https://blog.navitasventures.com/global-edtech-landscape-1-0-28e69944d33d#.npadp3auj>

¹⁷ https://internationaleducation.gov.au/research/Research-Snapshots/Documents/Outgoing%20international%20mobility_HE_2015.pdf

¹⁸ https://internationaleducation.gov.au/research/Research-Snapshots/Documents/Outgoing%20international%20mobility_HE_2015.pdf

Over one third of all experiences (39%) were in the top five destination countries (USA, China, UK, Indonesia and Canada). That said, there was an increase of 32 per cent in the number of students undertaking their study experiences in destinations identified as priority under the New Colombo Plan: China (19% of total), Indonesia (11%), Japan (10%), India (9%) and Cambodia (7%).¹⁹ The National Strategy for International Education highlights this point under action 6.2 'Expanding student, education and training professionals and researcher mobility'.²⁰

Secondly, work undertaken at all levels of the Australian education system to foster an international outlook is critically important for Australia's ability to engage and compete in a globalised world. Navitas commends the Australian and state and territory governments for the initiatives and investment they have made to date, particularly in programs such as the New Colombo Plan. However, it is important to acknowledge that not all learners will have the opportunity to undertake an international study experience, and therefore there should also be a strong emphasis on 'internationalisation at home'. Navitas stresses, for example, the importance of internationalising curricula across all education sectors and the promotion of, and support for, second language study in Australia.

Finally, initiatives such as the Department of Foreign Affairs and Trade's Australia Global Alumni Strategy greatly enhance Australia's ability to engage constructively over the long term with people who have a deep – and hopefully positive – connection to Australia. As the Minister for Foreign Affairs said, 'Australia's international alumni are influencers and leaders'.²¹ Activities that nurture those linkages will pay dividends for Australia's long-term diplomatic, business and security relationships.

Further points for consideration

Navitas wishes to make the following points for consideration in the development and implementation of the Foreign Affairs White Paper.

- **Free Trade Agreements** – Australia's prosperity now, as ever, relies on access to markets beyond our borders. Navitas urges the government to make market access for Australia's services sector, particularly education, a key pillar of all trade negotiations and of ongoing engagements on agreements that have already entered into force. Current free trade negotiations with India and Indonesia should seek to optimise access for education and training services and scalable borderless education.
- **The role of business in supporting and furthering national interests** – Navitas is an active participant in business and industry forums around the world that profile Australia. One such forum is the B20 Education and Employment Taskforce. The White Paper process should identify mechanisms for Australian businesses and organisations active internationally to systematically, yet easily and effectively provide intelligence and insights back to government (and for them to be shared appropriately with other organisations) on market conditions, pinch-points and developments in country that impact upon Australia's commercial and security interests.
- **Leveraging Australia's development aid and Australian expertise in delivery of government and community services** – Navitas supports initiatives such as the Department of Foreign Affairs and Trade's Business Partnerships Platform that seeks to

¹⁹ [https://internationaleducation.gov.au/research/Research-Snapshots/Documents/Outgoing%20international%20mobility HE 2015.pdf](https://internationaleducation.gov.au/research/Research-Snapshots/Documents/Outgoing%20international%20mobility%20HE%202015.pdf)

²⁰ <http://nsie.education.gov.au/>

²¹ <http://dfat.gov.au/about-us/publications/Pages/australia-global-alumni-engagement-strategy-2016-2020.aspx>

provide mutually beneficial opportunities for Australian organisations to participate in Australia's development aid activities. Any opportunities to expand or augment such programs would be welcome. We also ask that consideration be given to opportunities beyond development aid for businesses and organisations to work through the Australian Government to bid for projects in other countries in the areas of government and community services through public-private partnerships or through commercial contracts. One possible example is exporting Australia's expertise in settlement English programs for migrant and refugee populations.

- **Extension of the New Colombo Plan** – Navitas urges the government to consider extending the exceptional opportunities provided by the New Colombo Plan to learners enrolled in non-university higher education providers (NUHEPs). This could be done in a staged manner, for example, first opening up the scholarship program to all higher education learners or piloting mobility programs for NUHEPs in a competitive process.

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EduGrowth is a national organisation, with membership open to organisations and individuals.

Benefits include:

- Connection and collaboration – bringing Australia’s edtech community under one roof to build skills, grow businesses and create leaders;
- Learning and development – a program of events, hackathons and workshops to enhance knowledge and lay the foundations for success;
- Guidance and mentorship – by being part of the community, members can meet and connect with EduGrowth’s leading educational and startup mentors providing guidance on investment, market intelligence, business growth and the education sector;
- Innovation and inspiration – access to new and emerging ideas that will reshape the way education is delivered in Australia and internationally.

Currently the EduGrowth network consists of:

- 6 founding members;
- 400 edtech startups;
- 100 accelerator applications;
- 60 world class mentors;
- 1,550 meetup group members;
- 2,000 attendees at our events.

EduGrowth’s Full Time Accelerator program is specifically designed for teams with global ambitions, and through the EduGrowth membership, will connect successful teams with educational institutions to enhance growth opportunities. FTA teams have access to the following:

- Investment – \$50k for a minority share of 6 per cent;
- Training – learning from leading experts from the startup community, investors and education experts who act as mentors to help navigate teams through edtech challenges;
- Connection – to distribution channels to enhance market success;
- International exposure – a trade mission to explore international market opportunities;
- Demo day – putting FTA teams in front of key decision makers, markets and investors;
- A collaborative working environment – based in Sydney, working alongside other teams building invaluable networks based on this shared experience.

At the conclusion of the program, teams will have:

- Achieved product market fit for international markets;
- Trialled a business model for local and international markets;
- Achieved customer revenue;
- Secured investment for an 18 month growth runway.

<http://www.afr.com/news/policy/education/navitas-makes-a-10-million-bet-on-disruption-in-education-20170206-gu6gdx>

Navitas makes a \$10 million bet on disruption in education



People are asking when education is going to be disrupted, says Navitas Ventures CEO Patrick Brothers. **Trevor Collens**



by [Tim Dodd](#)

Australia's biggest education company, Navitas, will invest up to \$10 million a year to secure its future against game-changing digital disruption.

Navitas, which has grown to a \$1 billion company in 20 years on the back of the global boom in international students, is now hedging against a future in which new technology and changing education preferences could make its business model obsolete.

The company has set up a new unit, Navitas Ventures, to invest in new start-ups in disruptive education.

Patrick Brothers, CEO of Navitas Ventures who is also the main company's chief development officer, said that education was "one of those sectors everyone is looking at saying, 'When is it going to change?' "

He said the company's move to embrace new technology sprang out of an internal strategic review which looked back at Navitas' history and pivoted forward to ask where the company would be in 20 years.

Tipping point

"It feels like the tipping point is definitely within that 20-year window. There's argument whether it's three years, five years or 10 years, but in 20 years I think most people are betting that we'll see significant disruption," Mr Brothers said.

Navitas CEO Rod Jones, the prime mover in building Navitas to the commanding position it has in the education industry today, says he is ready to look seriously at how the company responds to change.

"Two or three years ago we started looking and said it's important for us to continue to develop and grow and be relevant into the future," he said.

"We felt it was time to put a bit of effort into trying to identify the new technologies which are going to impact education and work out how we're going to react to them."

Inside the company Navitas Ventures is known as Engine 2, a unit which works alongside Engine 1, the traditional business.

Engine 2 will be an accelerator for new education technology start-ups. It is now looking for opportunities and Mr Brothers said that, in the coming year, about \$10 million is likely to be invested.

"It will be significant and it will be material," he said.

"We want to start with some smaller bets. I suspect that will be in the millions. We want to be really thoughtful about this."

But nothing is yet set in stone. "If we find some fantastic opportunities it could happen a lot faster," he said.

Mr Brothers says emphatically that Navitas Ventures is not a venture capital fund. It does not have a set amount of capital which must be invested in a limited period. He is looking for long-term investments in companies which will work in synergy with Navitas' education business.

"Our strategy is not to place 100 bets in the hope 10 will come off. Our strategy is, if we're investing something, it's because we believe we can help make it successful," he said.

"We do want to back the next game-changers, but we also want to find some great tech that will help accelerate our core business."

High minority stakes

A critical decision is how much equity Navitas Ventures will take in the start-ups it invests in. Mr Brothers says they are looking at high minority stakes.

"If it's a 5, 10 or 15 per cent position you're more like a follow-on investor," he said.

"If you're 50 to 60 per cent, you start to diminish the founder's motivation, and we don't want that either. So I think our sweet spot is going to be in the 20 to 50 per cent range.

"Typically we're looking at a minority stake that one day will have some kinds of call option or maturity associated with it."

A key part of the strategy is to offer start-ups more than just capital. They will be backed by the resources of Navitas. Through their partnership with the company, start-ups will be able to access Navitas' students, its many university clients and its worldwide network of about 70 offices.

The large global Navitas network, operating in more than 30 countries, will also help Navitas Ventures find prospective start-ups to invest in.

Mr Brothers said there was no template for Navitas Ventures' relationship with the start-ups. "We'll do everything from incubate an idea in-house, to a more typical financial investment accelerated by the core, to a partnership," he said.

Mr Brothers said he will ask Navitas employers in different countries to be "venture scouts" looking for opportunities. They will mix with the start-up community, attend meet-ups, and talk to potential investors.

"They only spend an hour a week, they go to a meet-up or take a coffee, or whatever," he said.

As well as planning to make its own major investments in start-ups, Navitas Ventures is [a major partner](#), along with five universities, in a not-for-profit edtech accelerator, EduGrowth, which has just begun its first six-month program with five start-up companies.

Mr Brothers said that Navitas' investment in its "Engine 2" was not driven by any sense that time was running short for the company's traditional business model, which is anchored in partnerships with universities to teach international students.

"We are quite comfortable that international education, as it exists today, has fantastic runway," he said.

Degrees under pressure

Nevertheless, the expectation is widespread that disruptive forces are building in education. What might change?

One ripe candidate is the traditional degree, Mr Brothers said. Interestingly, this is a mainstay of both Navitas' business and of today's universities.

"Currently our whole employment system is hinged on four years of attendance at an institution. Employers still select based on those proxies," Mr Brothers said.

"But, as you've seen from studies from Google, Ernst and Young, Deloitte – these global companies which have massive HR data sets – they are saying empirically there is no causal link between the brand of the institution, or sometimes even the course, and the performance and the skills of the candidate.

"If all of a sudden employers say, 'let's stop looking at those degree things as a proxy for quality or skills', that's a game-changer.

"It will start in Silicon Valley and the tech companies, who are the most brave, and who will say, 'it's not those degree things'."

How fast will the change come? Mr Jones, who built Navitas within the structure of traditional education, is alert but not alarmed.

"Change will come relatively rapidly, but I think there's still plenty of time for people to adapt," he said.