Flying Colours: Major Universities Continue to Grow

By Derrick Wu

Strong demand from overseas students and rising research funding has supported growth for the major universities.

Changes in government policy have limited growth in funding for the University and Other Higher Education industry over the past five years. However, industry revenue is still expected to increase at an annualized 3.7% over the five years through 2018-19 to $34.0 billion, fueled by strong demand for university services from a growing number of overseas students and research funding.

The University and Other Higher Education industry is highly regulated. In January 2012, the Federal Government of Australia introduced a demand driven funding system that provides guaranteed funding to all domestic students enrolled in an undergraduate program. This change incentivised universities to significantly increase the number of domestic places they offered. In 2017, government funding for domestic bachelor programs was capped at 2017 levels, negatively affecting universities.

To maintain a steady source of revenue, universities are increasingly looking overseas. International students have become a significant market for Australian universities and other higher education providers. The total number of international students enrolled in Australian higher education institutions has dramatically increased for the past five years. Approximately 40% of students at Monash University, Australia’s largest university, come from overseas. Monash University’s revenue is expected to increase at an annualised 8.7% over the five years through December 2019. Other large universities, such as Melbourne University, Sydney University and ANU, have also benefited from an increase in international student numbers. For example, Melbourne University’s revenue is expected to rise at an annualised 7.2% over the five years through December 2019. Many Australian universities have developed their presence overseas by building partnerships with foreign providers or establishing campuses in other countries. For example, Monash University now has campuses in Malaysia and South Africa and RMIT has a campus in Vietnam. Favourable changes in student visa policy and the depreciation of the Australian dollar have also boosted demand from foreign students.

Research is also an important source of revenue for Australian universities. Research is typically funded by the Federal Government, state governments, and grants from private enterprise and non-profits. Historically, government grants have been a major source of funding for research, particularly in the fields of engineering, health and medicine. However, the federal government announced that it would cut research...
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funding by $130 million annually for the next 4 years. This will force universities to rely more on building partnerships and providing consulting services to relevant businesses and industries.

Demand for tertiary and higher education services is expected to remain strong over the next five years. Changes in international student visa requirements and the depreciating Australian dollar will continue to boost industry revenue. However, the industry is still highly dependent on government funding and any changes in the regulatory environment will significantly influence industry revenue.

Companies mentioned in this release:
- Monash University
- The University of Melbourne

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