



Export Education Levy

Summary of submissions

2018 sector consultation on raising the Export Education Levy rate

December 2018

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Introduction

The Export Education Levy (EEL) is paid by all providers enrolling international students, including universities, institutes of technology and polytechnics (ITPs), private training establishments (PTEs) and schools (state and state-integrated schools have their EEL contribution deducted from the International Student Levy they pay).

The EEL rate is set by the Minister of Education through the Education (Export Education Levy) Regulations 2011. The Education Act 1989 requires the Minister of Education to consult with education providers before changing the amount of the EEL. The Ministry of Education (the Ministry), Education New Zealand (ENZ), and the New Zealand Qualifications Authority (NZQA) sought input from the international education sector from 18 September 2018 to 15 October 2018 on raising the percentage rate of the EEL, with feedback received through an online survey and via email. Sector consultation meetings were held in Auckland, Wellington and Christchurch.

A consultation discussion document was published on the Ministry of Education website when consultation opened, and a second document titled *Export Education Levy—further information Q and A* was published on the website before the end of the consultation period in response to questions received.

Respondent profile

In total, the Ministry received 212 written submissions (177 online survey responses and 35 email submissions). Of the 212 submissions received, 191 were on behalf of organisations including eight national representative bodies, and 21 submissions were from individuals including six international students.

Table 1 shows the distribution of respondents across provider type and region, for those indicating a region.

Table 1: Submissions by provider type and region

Location	State (& integrated) schools	PTEs	Private schools	ITPs	Inter-national students	Universities	Total
Northland	3	1		1			5
Auckland	51	31	5	2	4		93
Waikato	7	3	2				12
Bay of Plenty	7	5	1				13
Hawke's Bay	3	2		1			6
Taranaki	1			1			2
Manawatu-Whanganui	4	3				1	8
Wellington	8	4		1		1	14
Nelson	4		1				5
Canterbury	13	6		1	1		21
West Coast	1						1
Otago	4	1		1	1	1	8
Southland	1			1			2
Total	107	56	9	9	6	3	190

Over half of the submissions received were from state and state-integrated schools. Because their EEL contribution is deducted from the International Student Levy they pay, which is set through a different mechanism and will not increase in 2019, the proposed EEL changes do not impact these schools in 2019. A notice was sent to all state and state-integrated schools with this information and very few submissions from schools were received subsequently.

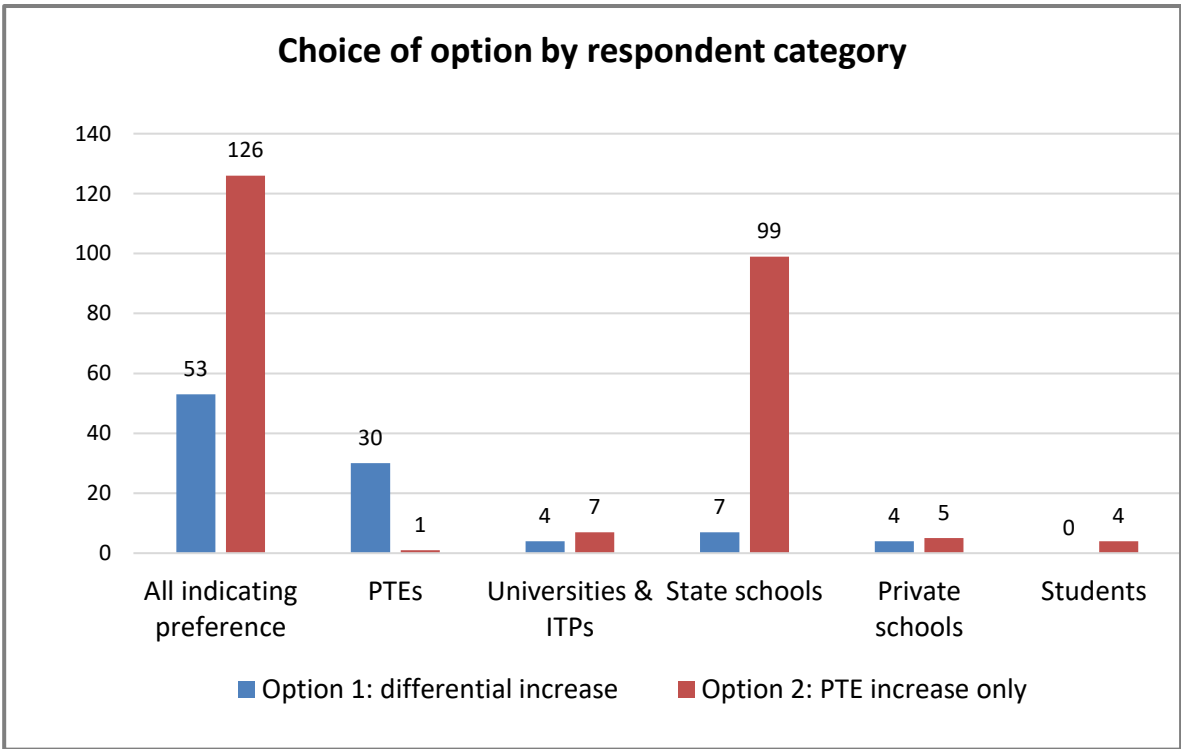
Option preference

The consultation included two options:

- **Option 1: Differential increase** – a percentage increase for all providers, but at different rates, with non-PTEs (universities, ITPs and schools) increasing from 0.45% of international student tuition fees to 0.55%, and PTEs increasing from 0.45% to 0.83%
- **Option 2: PTE increase only** – a percentage increase for PTEs only to 1.24% of international student tuition fees (non-PTE levy rate remains at 0.45%).

179 submissions indicated their preference for one of the two consulted options, with 33 not indicating a preference. Figure 1 shows the choice of option by respondent category (note that the total for “all indicating preference” (179) does not equal the category totals (165) because not all respondents choosing an option indicated a category). 70% of those selecting an option preferred that the EEL increase for PTEs only. PTEs were the only group preferring a differential increase for all providers.

Figure 1: Choice of option by respondent category



Note that this table does not include representative bodies, as they represent more than a single provider. Their choice of option and feedback is summarised separately below.

Key themes

A number of key themes emerged in the submissions, outlined below. (Note that submissions from representative bodies are presented separately in the next section. No quotations in this section are from representative bodies.)

Support for EEL expenditure on administration of regulations, student wellbeing funding, and promotion and marketing

- Many submitters expressed some general support for the purposes of the EEL.

Quotes

- *“The entire industry benefits from legitimate expenditure of levy funds, on the Code of Practice and valid student wellbeing initiatives in order to safeguard educational quality and New Zealand’s reputation as a study destination.”* (PTE)
- *“Overseas participants cannot distinguish between different education providers, we all share the same reputation and efforts and therefore need to support any mandatory reputation management costs.”* (school)
- *“We support the aim of safeguarding and improving the quality of the international education sector.”* (school)

The proposed changes are unfair

- Around one-third of respondents (and 51% of PTEs) noted that it is unfair to require all providers to pay a higher EEL to cover the costs of individual, poor-quality providers, or to require all PTEs to cover the costs of a few low-quality PTEs, or to require one sub-sector to cover the costs of failure in a different sub-sector.
- 54% of submissions from schools noted that the schooling sector is already well-regulated and of high quality, so it is unfair to raise their levies.
- Some respondents noted that some form of risk-based rate would improve the fairness.

Quotes

- *“English Language Schools have played no part in this situation.”* (PTE)
- *“Why should we as a successful school bail out an underperforming sector.”* (private school)

PTEs have caused the closures and high EEL expenditure, so PTEs should pay

- 31% of total respondents noted that PTEs alone should cover increased expenditure, as they alone cause EEL expenditure related to reimbursements.

Quotes

- *“Universities & ITPs generally have much higher international student cohorts than PTEs, and already pay significant levies based on these EFTS. Recent challenges across the PTE sector have effectively been underwritten to a large degree by government-backed institutions. A PTE only increase in EEL moving forward would redress the balance in terms of a more appropriate user-pays funding model.”* (ITP)
- *“The pressure on the levy stems from the failure of PTEs, not universities or ITPs. . . .Increasing the EEL for the PTE sector will lead to an improvement in the quality of the sector over the next few years.”* (international student)

Government should take responsibility for regulatory failure

- 26% of respondents (49% of PTEs) expressed frustration that Government has not acknowledged responsibility for regulatory failure in relation to the high number of closures.
- 12% of respondents (33% of PTEs) noted that Government should cover some or all of the costs of the failures, especially given Government financial intervention with failing ITPs.

Quotes

- *“The government is solely responsible for the current Export Education debacle, registering and accrediting shonky PTEs and then not monitoring or enforcing.”* (PTE)
- *“[It does not seem] ok for this levy to be continued and increased, at the same time as the Government is bailing out Unitec and Whitireia to the tune of \$65,000,000.”* (PTE)

A reduction in EEL expenditure should be considered

- 17% of submitters thought that the options should have included a reduction in non-reimbursement expenditure (for example, marketing and promotion, or student wellbeing funding).

Quote

- *“We believe the first immediate response should be cost cutting in the expenditure of the levy.”* (PTE)

Both options are unacceptable / more options needed

- 33 submitters (16%) did not choose an option, and 21% of all submissions noted that more options were needed. Comments included that the options were not acceptable, and that they should incentivise quality.
- Most PTEs strongly opposed both options on fairness grounds (53% did not choose an option, and 57% wanted more options to choose from).

Quote

- *“There ought to have been wider consultation open to other solutions.”* (PTE)

All providers benefit so all should pay more

- 15% of respondents (41% of PTEs) expressed the view that the functions of the EEL and reimbursing international students benefits the entire sector, so all providers should pay a higher rate.

Quote

- *“We support the aim of safeguarding and improving the quality of the international education sector and agree that option [one] recognises that all providers benefit from the reputational boost the system gets from New Zealand’s approach to student protections.”* (PTE)

Financial burden of EEL increase is too high / there is insufficient lead-in time

- 39% of PTEs said that the proposed increase was too much to expect PTEs to be able to pay.

- Many submitters noted that the proposed change has insufficient lead-in time, as providers' fees and budgets for 2019 have already been set and this will cause additional financial pressures and/or failures.

Quotes

- *"The proposed increases are not insubstantial, they amount to a doubling or a tripling of the levy, which has a material impact on the operating budgets of providers."* (PTE)
- *"Our current levy payment is \$4000 pa. If it increases to \$8000 or \$12000, it could well be the straw that breaks the camel's back."* (PTE)
- *"Reasonable increases are acceptable in business, but nearly 300% because there has been a blowout seems totally unfair. The more you pile extra costs onto struggling PTEs, the more closures you get."* (PTE)

Reimbursement function does not benefit international reputation

- 20% of PTEs disagreed with the claim in the discussion document that the reimbursement function protects New Zealand's international reputation.
 - *"The reason given that it is to protect the reputation of NZ's industry is not at all based on any sound research at all."* (PTE)
 - *"[It is not] correct to say that the levy insurance system is part of New Zealand's value proposition. Nowhere on Education NZ's website is there any mention of this. Furthermore, the Strategic Roadmap that followed the Leadership Statement makes no mention of this value proposition, and the branding strategy does not include anything about protecting New Zealand's reputation through fees protection."* (English NZ)

Submissions from representative bodies

This section presents comments made in submissions from representative bodies and therefore contains some repetition. It is not intended to be a complete summary of these submissions.

New Zealand International Students Association preferred option 2, an increase for PTEs only, and expressed the following views:

- New Zealand International Students Association appreciates the Government's prioritising of international student wellbeing, and recognises the need to increase the EEL in order to continue to cover reimbursements to international students.
- They support the current level of International Student Wellbeing Strategy funding.
- PTEs are private businesses that generate profit and should cover expenses they generate.
- It is not fair to have all PTEs in one category, and the levy should not punish all PTEs for the failure of a few. There should be a differential PTE rate.
- EEL increases will in due course be reflected in higher international student fees which would put additional pressure on international students.

Universities New Zealand preferred option 2, an increase for PTEs only, and expressed the following views in relation to the university sector:

- The universities strongly believe that EEL funding that goes towards the International Student Wellbeing Strategy Fund and the \$1million contribution per year given to ENZ is important and should not be repurposed toward PTE closures.
- Universities are under financial pressure and should not be expected to divert additional funds away from quality provision to international students.
- PTE closures damage the international reputation of New Zealand education.
- EEL funding helps the overall good of the sector and promotes the quality of New Zealand international education offshore. It is also important for International Student Wellbeing Strategy funding, and to fund ENZ.
- Government should take responsibility for regulatory failure (NZQA approved each of the PTEs that failed, and the TEC assessed and funded the courses they provided).
- Failing to prioritise quality rather than lack of funding is the real issue.

Institutes of Technology and Polytechnics International Directors Group supported option 2, an increase for PTEs only, and expressed the following views:

- PTEs have caused the expense that needs to be covered by increased revenue and should thus cover the increase. The increase for PTEs only is an equitable and fair approach.
- Levies should be based on a risk-rating for providers in order to be equitable and fair.
- Government should cover some of the cost to recognise regulatory failure.
- The levy should be reviewed because it shouldn't be used to fund ENZ (a government department and their projects)—the decision to increase ENZ funding when the EEL balance was high was a mistake and an unacceptable decision.

Independent Tertiary Education New Zealand (ITENZ) had no preferred option and expressed the following views:

- The survey was flawed by not presenting further options, and the consultation period is too short and rushed.
- Government ignored warnings from within the PTE sector that the emphasis on increasing international student numbers was leading to poor quality provision, and now the PTE sector is expected to pay for the elimination of poor quality.
- Some PTEs, particularly smaller ones, will struggle to pay hugely increased rates, and some closures may occur.
- Reduction of expenditure should be the first step in addressing this issue.
- Government should take responsibility for regulatory failure and bear the cost of the deficit.

English New Zealand (English language schools) rejected both options on the grounds that they were unfair and limited, expressing the following views:

- The consultation document and options proposed misrepresent the problem, contain false assumptions, and do not address the cause of the EEL balance problems.
- The options are unfair, and other better options should have been considered, including expenditure reduction.
- The levy is problematic and makes it easy for businesses to avoid responsibility.

- Proposed increases would have a significant impact on small business, particularly in the regions.
- Government should take responsibility for regulatory failure by absorbing costs, not by taxing small businesses.
- The options are unfair, and English language schools should be acknowledged as very low risk as a sector in comparison to other PTEs.

ISANA International Education Association New Zealand (ISANA NZ) supported option 1, a differential increase for all providers, and expressed the following views:

- They recognise the need to provide future security for the EEL and to enable its purposes to be fulfilled, and support the action taken to place the EEL fund into a healthy mode.
- The entire sector benefitted from the changes to the EEL in 2016 which ultimately financially weakened the EEL. It is fair then that the whole sector pays this increase.
- The EEL should be spent on quality assurance activity and professionalisation of the sector to prevent provider failures and reimbursements.

Te Rito Maioha Early Childhood New Zealand supported option 1, an increase for PTEs only, and expressed the following views:

- It is unfair that the entire PTE sector and other provider types should be penalised with a levy increase for the failures of individual PTEs
- The Government should take responsibility for its role in these failures; agencies should monitor PTEs more closely and take action sooner. There must be something wrong with NZQA's External Examination and Review process if it is not identifying risk.
- EEL rates should be more nuanced to reflect the quality and ongoing viability of the providers.
- Options should include expenditure reduction as an option, particularly the ENZ money.

Quality Tertiary Institutions (QTI) rejected both options on the grounds that they were unfair and limited, expressing the following views:

- There has been a significant increase in EEL funding of annual commitments since 2014. The justification that reimbursements have weakened the EEL account does not add up. Options should have included expenditure reduction.
- EEL spending should be reprioritised and particularly marketing reduced.
- The survey was flawed as submissions were forced to choose between two poorly conceived options, when there are better options.
- According to the statutory actions page on the NZQA website, the conditions placed on providers have been designed to ring-fence the issues, so the potential impact on students and the EEL should be diminished.
- Government should take responsibility for regulatory failure and should solve the quality problem through better enforcement (particularly NZQA, Immigration NZ and TEC). It should absorb the PTE costs like it does for the ITP sector (with taxpayer funds).