Review of the Export Education Levy

A report prepared for the Ministry of Education

January 2006
Contents

1. Executive Summary ............................................................................................................. 1
   1.1. Introduction and Background to Review ................................................................. 1
   1.2. Feedback from Levy Payers ...................................................................................... 1
   1.3. Use of Levy Funds ...................................................................................................... 1
   1.4. International Comparisons ...................................................................................... 2
   1.5. Issues Requiring Consideration .............................................................................. 3
   1.6. Recommendations ..................................................................................................... 6
   1.7. Conclusions ............................................................................................................... 7
   1.8. Acknowledgements ................................................................................................... 8

2. Introduction ....................................................................................................................... 9

3. Background ...................................................................................................................... 10
   3.1. Introduction ................................................................................................................ 10
   3.2. Rationale for the Levy ............................................................................................... 10
   3.3. Amount of Levy ........................................................................................................ 10
   3.4. Levy Income and Operation of the Levy .................................................................. 13
   3.5. Comparison with Other Industry Levies .................................................................. 16

4. Review Methodology ...................................................................................................... 20
   4.1. Consultation with the Review Steering Committee .................................................. 20
   4.2. Review of Export Education Levy documentation .................................................. 20
   4.3. Interviews with Lead Sector Organisations ............................................................. 21
   4.4. On-line Survey ......................................................................................................... 21
   4.5. Advice from International experts ......................................................................... 22
   4.6. Process documentation review ............................................................................... 22

5. Operational Findings ...................................................................................................... 23
   5.1. Introduction ................................................................................................................ 23
   5.2. Levy Reserves .......................................................................................................... 23
   5.3. Levy Collection ........................................................................................................ 24
   5.4. Summary on Operational Findings ........................................................................... 24

6. Administration Findings ................................................................................................. 25
   6.1. Introduction ................................................................................................................ 25
   6.2. Communication between Education New Zealand and the MoE .............................. 26
   6.3. Reference Groups ..................................................................................................... 27
   6.4. Future Role of the MoE and ENZ ............................................................................. 30
   6.5. Summary on Administration Findings ..................................................................... 31

7. Effectiveness Findings ..................................................................................................... 33
   7.1. Introduction ................................................................................................................ 33
   7.2. General ....................................................................................................................... 33
   7.3. Professional Development ...................................................................................... 34
   7.4. Research .................................................................................................................... 34
   7.5. Quality Assurance ................................................................................................... 35
   7.6. Promotion and Communication ............................................................................. 35
   7.7. Industry Body Core Funding ................................................................................... 36
   7.8. Reimbursement of International Students ............................................................. 36
   7.9. Administration of the Export Education Levy ......................................................... 37
   7.10. Monitoring of Providers ......................................................................................... 37
1. Executive Summary

1.1. Introduction and Background to Review

This review follows a statutory requirement for the New Zealand Parliament to be advised as to the operation, administration, and effectiveness of the Export Education Levy (the “Levy”). A comprehensive study has incorporated interviews with stakeholder representative groups and a sample of education providers as well as an on-line survey of levy-payers. The review also places the Levy in its national context as well as briefly reviewing it by comparison with selected developed countries with a significant export education industry.

Cabinet Decisions state that the Ministry of Education (“MoE”) is responsible for collection of Levy funds, administration of Levy funds supporting the Code of Practice and administration of Levy funds required to compensate the Crown for expenses incurred in assisting international students affected by Private Training Establishment (“PTE”) closures. Education New Zealand (“ENZ”) is responsible for all other elements of the levy work programme as outlined in the purchase agreement between ENZ and the MoE. The Cabinet Decision makes reference to the annual work programme being developed by ENZ but states that once the work programme is finalised that it needs to be approved by the MoE.

1.2. Feedback from Levy Payers

Responses are reported and seen as quite inconsistent. Individuals in the on-line survey are generally quite negative about the Levy and its application to industry support. However the very low response rate in the on-line survey of 3.25% could suggest that the vast majority of the industry do not feel strongly about the Levy and accept that it is here to stay. Interviewees, often senior and with considerable industry perspective, are more sanguine and constructive. Levy payers are not universally well informed. There is great variation amongst their opinions as to the validity, management, fairness and application of the Levy.

Much opinion is coloured by the way in which the Levy was introduced in the face of majority opposition. Consultation is often confused with the right to decide. The very driving principles behind the Levy are not universally accepted. But there appears to be a resigned acceptance by the industry in general and some appreciation for the application of the Levy into the Code of Practice, professional development programmes and industry-related research. Generic marketing is also endorsed by many but some views are quite polarised about the effectiveness and universality of the benefits.

1.3. Use of Levy Funds

There is a call by some industry representatives interviewed and endorsed by Deloitte for the Levy-funded research programme to be less contestable and ‘good ideas’ driven; and more a programme which canvasses industry needs and tenders research providers to address them and disseminate the findings and implications.

Using Levy funds for addressing provider failure and protecting international students is quite controversial. Most endorse the intent but object to the principle of the “strong subsidising the weak”.

Review of the Export Education Levy
January 2006
In general this illustrates the somewhat fractionated nature of the industry into sub-sectors and even individualistic viewpoints and does not address the fact that providers as a whole benefit because of the potential impact of failures on the reputation of the whole sector.

Key issues which have crystallised from the study (themes which emerged from interviewing respondents) include the importance of setting the Levy work programme in a strategic context, defining outcomes and measuring performance. The need to communicate these amongst Levy payers appears greater than the need to consult at greater depth about the allocation of funds between purposes and projects. Misinformation and erroneous perceptions are apparent and need to be addressed to engender greater support for the Levy and its purposes. Some respondents interviewed commented that Levy funding should only be utilised for specific projects when there is an identified industry need and not simply because there is a budget to spend.

The processes used to allocate Levy funds to the various authorised work programmes appear to be well structured from an accountability point of view although not particularly understood by providers, who felt that there was a lack of channels for input into the allocation process.

The move to longer term planning by ENZ and the reference groups will be beneficial to all those who have involvement with the Levy. Collaboration between the reference groups has improved since the Levy’s inception, although there is potential for more collaboration which will help to ensure consistency in planning and outputs from the reference groups.

Accountability to the Ministry of Education for the use of funds by Education New Zealand is seen as quite robust. But to Levy payers accountability is seen as minimal. Suggestions and recommendations are made to address these issues.

Interviewees questioned the purpose to which Levy reserves was being put, especially now a student fee protection regime is now in place. The question was raised as to what level of reserves should be appropriate for fidelity or rescue purposes. More than half of those interviewed questioned whether the building of these reserves did not argue a case for reduction of the Levy rate. It is worth noting that a purpose of the Levy reserves is to ensure that Levy funded work continues in a situation where there is a downturn in levy income which may occur next year.

1.4. International Comparisons

Research through the Web and personal communication with senior executives in Ireland, Australia, Canada and the United Kingdom revealed just how common many of the policy and funding issues in export education are. Consistent quality assurance, national brand management, research, managing risk, funding generic marketing and professional development in the industry are familiar issues.

A review of like countries reveals that only Australia has anything like New Zealand’s Education Export Levy (“EEL”). New Zealand is unique in the way it ‘ring-fences’ the funds and transparently applies Levy funding for the direct benefit of the industry.

A number of individuals from other countries expressed admiration in the way in which the Levy was implemented so decisively and few of these overseas countries have the degree of government interest in quality assurance and risk management evident within New Zealand.
1.5. Issues Requiring Consideration

1.5.1. Issues within the scope of our review

Throughout the study a number of consistent issues appeared.

1.5.1.1 Concerns with the Review process

The Levy was never a popular innovation. The majority of respondents made the point that the Levy was roundly opposed in initial submissions and some suggested that consultation was insincere by virtue of its timeframe, scope and depth. For most, the operation of the Levy contradicted their initial viewpoint.

However, concerns by some over the Review consultation process, only reinforced their prejudices. Representatives indicated there was no time to consult their constituencies. Some wanted written submissions, some saw the Review brief as far too narrow (and what legislation determined just made the legislation ‘wrong’). Two or three respondents indicated that the response timeframe for the online survey was inadequate and that the survey itself was flawed.

1.5.1.2 Accountability & Communication

Respondents did not wish to be simply told what priorities had been decided and what projects had been allocated and completed. They wished to see spending decisions illustrated within a wider and strategic context, and for there to be some performance measurement to test effectiveness against.

The great majority of respondents reacted positively to spending some Levy resources on active communication tools which showed how the Levy was being spent and assessing its effectiveness; not just its completion. The more generous critics recognised that this was a work-in-progress and were pleased to hear of an impending Education New Zealand publication which would inform along these lines. Support was also given to initiatives to proliferate research findings and ways to effect provider responses to the issues highlighted.

1.5.1.3 Perceptions versus Reality

Individuals’ perceptions are their reality and to this extent there is much misinformation about the effectiveness of Levy spending based on peoples’ own perceptions. This may, in part, be seen as a failure in communication to Levy-payers and by the Levy-payers in failing to access the information available. Both might be easily corrected. It is asserted that the Levy, and government support of export education in general, would be better supported and aligned-with if stakeholders were better informed.

Note: The Levy payers seem to think that the annual Levy report submitted by the MoE to parliament should provide more comment on the effectiveness of specific Levy projects. The purpose of this report however is to provide a full account to parliament on the Levy from MoE and communication of the effectiveness of specific Levy projects is made through ENZ).

Similar confusion exists about what funds address what services provided by ENZ.
**1.5.1.4 Compliance Costs**

Very few respondents had major concerns about compliance costs and seemed to accept the basis by which the Levy was calculated. Some did indicate compliance was yet another cost burden on their business but acknowledged their international income was data which they needed to measure anyway.

**1.5.1.5 Performance Measurement**

A common theme in consultation was that current reporting of Levy-funded activity was descriptive rather than analytical. The 2004/05 annual report reports the status of projects as ‘complete’ in many cases and some respondents were constructively critical of this. As noted above the annual Levy report is not the foundation for performance and analysis of the effectiveness of the projects funded by the Levy.

The case was made for project expenditure to be complemented with selected key performance indicators against which the effectiveness of investment could be measured. It was accepted that such monitoring would likely cost money and would net off Levy expenditure. But it was argued that some measurement of effectiveness would be a natural and desirable development in the use of the Fund.

It is suggested by the authors that as projects in each of the four areas managed by ENZ are selected and contracted, attention might be given to the fit with overarching strategy and specific goals as set for reference groups, and that close attention be given to defining the outputs and outcomes expected. The latter should be measured by a few success indicators. Not all of these will be quantitative or measurable but a test of effectiveness would be useful to report to stakeholders just what is expected.

**1.5.1.6 Project Selection: Opportunism versus Strategy**

Approximately half of those interviewed as representative groups or individual providers had some questions as to the process used by reference groups to target and select projects for funding.

A key theme emerged which indicated a preference for consulting and canvassing the whole industry for needs within a framework of strategic goals. Requests for proposals as ‘good ideas,’ was sometimes criticised as an approach which had delivered some projects of spurious value. It was preferred that goals and needs identified should drive the preparation of briefs and tenders which might then be contested by researchers and professional development providers.

**1.5.1.7 Reference Group Dynamics**

Comments were freely made and varied about the effectiveness of the reference groups. Some saw these as ‘as good a way as any’ to secure the engagement of the subparts of the industry and were satisfied or philosophical about the members’ ability to represent their views while others voiced some minor concerns about the structure and operation of the reference groups.

**1.5.2. Issues Identified or Raised Outside of the Scope of our Review**

There were some themes outside the brief of this review which were consistently raised and are offered for consideration and potential resolution by the MoE.
1.5.2.1 Consultation Process in Relation to Introduction of the Levy and this Review

Concerns over the consultation process prior to the introduction of the Levy, and the decisions made subsequently, were given in most interviews regardless of them being unsolicited.

Some conflicts of interest were suggested by some as being inherent to this Review process with ENZ being involved in the Review. Two or three respondents also made criticism of the short timeframe, timing close to Christmas and the design of the on-line survey.

1.5.2.2 Code of Practice

Given that over 20% of Levy funds are channeled into the operation of the Code of Practice for the Pastoral Care of International Students, most interviewees were curious as to why a review did not address this component in detail. This purpose of the Levy was probably the most universally supported and many comments were very positive about the effect the Code had had on quality of provision and as leverage for marketing.

Themes arose in discussion with interviewees who generally insisted on comment:

a) That the Code lacked ‘teeth’ and the ability to sanction those who under-complied.

b) That the Code might best be monitored on a ‘user-pays’ basis.

c) That the Code team lacked boundaries and sometimes strayed into areas beyond their purpose (e.g. marketing, mediation and business case analysis).

d) That compliance with the Code was too easy to ‘fudge’ by insincere providers. Random and salutary checks by NZQA were suggested by one respondent.

e) That attention to hostel requirements would be a welcome expansion of the Code.

f) That often the difficult Code issues were matters of interpretation and that the Code Office inspired confidence in this area.

The veracity of these claims was beyond the review team’s brief to test.

Almost universal support was given to the leadership, fairness and sincerity of the Code Administrator.

1.5.2.3 Equity and Reserve Levels

Equity in the Levy fund as of 30 June 2005 stands at $2.4m. Interviewees questioned the purpose to which this was being put, especially now a student fee protection regime is now in place. The question was raised as to what level of reserves should be appropriate for fidelity or rescue purposes. The need to hedge against the risk of industry downturn was also acknowledged.
Further implications included the significant interest income being generated by these reserves. Respondents were gratified that such income was being retained within the fund, but again questioned its purpose.

More than half of those interviewed questioned whether the building of these reserves did not argue a case for reduction of the Levy rate.

1.6. Recommendations

A number of recommendations in relation to the operation, administration and effectiveness of the Levy are made throughout this report. The section below outlines these recommendations.

1.6.1. Operational Recommendations

1.6.1.1 Recommendation: Levy Reserves

Although the MoE has broad parameters as to the appropriate level of Levy reserves and also monitoring of reserves to ensure that reserves stay within certain levels, there needs to be more specific guidelines put in place in respect of reserve levels.

As part of this we recommend that continued forecasting be undertaken to estimate the level of reserves needed to accommodate the fluctuations in Levy funding.

1.6.2. Administrative Recommendations

1.6.2.1 Recommendation: Financial Reporting Obligations

We recommend that the MoE and ENZ continue to meet to discuss the exact nature of financial reporting requirements with respect to the Levy activities so that ENZ clearly understand exactly what they need to report on and why.

We believe that it would also be useful to determine whether there is an alternative to making an appropriation from government which may change the reporting requirements (for example, could the current legislative requirements be placed in the agreement for procurement services between ENZ and the MoE?).

1.6.2.2 Recommendation: Strengthen Role of ENZ Board

That the Role of the ENZ Board be strengthened by devolving more of the ultimate decision making from the MoE to the Board (for example, determination of final levy funding allocations to each of the reference groups). ¹

¹ Cabinet Decisions state that the MoE is responsible for collection of Levy funds, administration of Levy funds supporting the Code of Practice and administration of Levy funds required to compensate the Crown for expenses incurred in assisting international students affected by PTE closures. ENZ is responsible for all other elements of the levy work programme as outlined in the purchase agreement between ENZ and the MoE. The Cabinet Decision does make reference to the annual
1.6.3. Effectiveness Recommendations

1.6.3.1 Recommendation: Accountability

That Levy payers receive active bulletins and an annual report from ENZ on the purposes to which the Levy is allocated, spent and measured, in a context of strategic goals and objectives.

1.6.3.2 Recommendation: ENews Review

That ENZ undertake an audit to test readership, readability and effectiveness of ENews as a means to communicate information on Levy expenditure and that a campaign is mounted to ensure that every possible stakeholder is invited to receive the communication.

1.6.4. Other Recommendations on Issues outside the Scope of Review

1.6.4.1 Recommendation: Administration of the Code

That an evaluation should be undertaken of whether the Code should continue to be administered by the MoE or whether a third party should be involved in its administration.

1.6.4.2 Recommendation: Code Consultation

That the Code Office consult more with Levy sector groups and ENZ in respect of the work programme for Code related work.

1.6.4.3 Recommendation: Communicating Government’s Commitment to International Export Education

That the industry be effectively and objectively informed as to the total government commitment to New Zealand’s export education industry including line funding of MoE, New Zealand Trade and Enterprise, the Immigration Service of the Department of Labour, and the Ministry of Foreign Affairs and Trade operations relevant to the industry’s support.

1.7. Conclusions

This review report concludes with general support for the Levy and the purposes to which it is put. It sees some rebalancing of the priorities as perfectly legitimate within the context of a changing environment and continuous monitoring and research into effectiveness. Interview respondents (representing a greater proportion of the Levy funds paid) are more positive than on-line survey respondents. Interviewees demonstrated a resigned acceptance of the Levy and this even turned to support when it came to the purposes to which funds are put and the way they are ‘ring-fenced’. It is thus the impression of Deloitte that across the industry it is not strongly anti-Levy and that there is considerable support for the way funds are applied. While it is probably going too far to suggest general support for the Levy there does appear to be a resigned acceptance of it by Levy payers.
1.8. Acknowledgements

Deloitte wishes to acknowledge the willingness of survey and interview respondents to engage in this Review at a time of the year when time is short and within tight timeframes.
2. Introduction

On 5 December 2002, Parliament approved the introduction of a compulsory levy for export education providers to fund export education industry development, promotion, quality assurance and research. The Education (Tertiary Reform) Amendment Act 2003 (the “Act”) established the export education levy (the “Levy”) which came into effect from 10 January 2003.

Section 238I(5) of the Act states that:

“No later than 1 March 2006, the Minister [of Education] must –

(a) undertake, in consultation with providers, a review of the operation, administration, and effectiveness of the export education levy; and

(b) prepare a report on the findings of the review; and

(c) present a copy of the report to the House of Representatives.”

The Review was able to be undertaken after the end of September 2005 and through an open tender process Deloitte was selected as an independent contractor to undertake the review to inform the Minister’s report to the House of Representatives. This report is a result of this review process undertaken in November and December 2005.²

² Some Levy payers criticised the short timeframe for this Review. The timing of the Levy review reflected Government’s priorities for the workplan for international education for 2005.
3. Background

3.1. Introduction

Export education has been an expanding industry in New Zealand since the 1980s. From 1999 to 2003 there was rapid growth in international student numbers and provider involvement in education activities. Over this period, there was a 318% increase in international student enrolments from 28,340 to 118,652. This trend came to an end in the year to July 2004, with a 16.5% decrease in international student numbers. An Infometrics report estimates that international students contribute around $2.3 billion annually to the New Zealand Economy. Further, the sector has important spin-offs for jobs; and for the tourism, hospitality, retail and accommodation sectors around the country.

Export education brings more than just financial benefits to New Zealand since, in an ever increasing global world, knowledge of other cultures, cross cultural communication skills and international linkages are vital. It is also widely believed that international students, especially at postgraduate level, make a valuable contribution to New Zealand’s research and development skills.

3.2. Rationale for the Levy

According to the MoE’s initial consultation document the Levy was introduced largely in response to a perceived market failure resulting in insufficient industry-wide investment in the activities which the Levy now provides for. The export education industry and government had concerns around ensuring that growth was balanced and sustainable and that New Zealand maintained its reputation in education. The Levy would help to ensure that co-ordinated activity occurred within the industry.

3.3. Amount of Levy

The rate of the Levy has remained unchanged since its introduction in 2003. This rate is determined by the projected programme of work, the forecasted level of income from student turnover while also allowing a buffer amount to cover potential collapses of providers.

The Levy currently consists of:

- A flat fee component of $185.00 (excl GST) payable by each provider with international students studying in New Zealand. This fee is $185.00 regardless of the number of students enrolled or the amount of tuition fee income received; and
- A variable component based on the tuition fees paid by the foreign-fee paying students. For 2005 the variable Levy component was set at 0.45 percent of total tuition fees (excl GST) collected from international students studying in New Zealand.

---

3 The percentage component of the Levy is seen as being “both relatively equitable and relatively simple to administer” as it allocates the Levy costs in proportion to the benefits received by education institutions from having FFP students.
GST is charged on the Levy.

The flat fee in part reflects the costs of administering and monitoring a set of industry standards in the Code of Practice for the Pastoral Care of International Students.

The Act requires that the Levy be paid by all education providers receiving tuition fees from FFP students (there is an exception for tuition fees paid by FFP students studying offshore or from students sponsored by the New Zealand Agency for International Development.)

The Levy, introduced on 10 January 2003, is collected from all education providers that enrol foreign fee paying students. The purposes for which the Levy can be used are stipulated in section 238I of the Education Act 1989:

238I Purpose and administration of export education levy—

(1) The purposes to which the funds of the levy may be put are as follows:

(a) The development, promotion, and quality assurance of the export education sector, which may include (without limitation)—

(i) Professional and institutional development; and

(ii) Marketing; and

(iii) Implementation of scholarship schemes; and

(iv) Research, and resource development; and

(v) Support (financial or otherwise) of other bodies engaged in the development, promotion, or quality assurance of the export education sector:

(ab) The making of payments as set out in subsections (1A) and (1B):

(b) The administration and audit of the code:

(c) The general administration of the levy and associated purposes.

(1A) Subsection (1B) applies if—

(a) An international student is or was enrolled with a private training establishment for a course of study or training; and

(b) At the time of the student's enrolment the private training establishment held a current registration under Part 18; and

(c) The private training establishment has not, cannot, or will not provide, in whole or in part, the course of study or training:

(1B) If this subsection applies, the funds of the levy may be used for any of the following:
(a) To make payment to any person to ensure the reimbursement of the student, in whole or in part, for tuition fees or for any payment other than tuition fees made by or on behalf of that student to the private training establishment in respect of the student’s course of study or training if, and to the extent that,—

(i) The private training establishment has not refunded the tuition fees or other payment; and

(ii) The agency responsible for the administration of the levy approves the reimbursement of the student as necessary and appropriate in the circumstances:

(b) With the approval of the Minister, to reimburse the Crown for any sum provided by the Crown and paid to any person to ensure the reimbursement of the student, in whole or in part, for tuition fees or for any payment other than tuition fees made by or on behalf of that student to the private training establishment in respect of the student’s course of study or training if, and to the extent that,—

(i) The private training establishment had not refunded the tuition fees or other payment; and

(ii) The agency responsible for the administration of the levy approved the reimbursement of the student as necessary and appropriate in the circumstances:

(c) With the approval of the Minister, to reimburse, in whole or in part, the agency responsible for the administration of the levy, or any Crown entity, for—

(i) Costs incurred by that agency or Crown entity in placing the student with an alternative provider; or

(ii) Other costs incurred by that agency or Crown entity as a direct result of the private training establishment not providing the course of study or training.]

(2) The funds of the levy must be kept in a separate bank account that is used only for the purposes of the levy.

(3) As soon as practicable after 1 July in each year, the agency responsible for the administration of the levy must present to the Minister an annual report on the administration of the levy, which must include audited financial statements prepared in accordance with generally accepted accounting practice; and the Minister must present a copy of the report to the House of Representatives.

(4) The amount of levy payable by a provider under regulations made under this section is a debt due to the Crown and may be recovered in any court of competent jurisdiction.
(5) No later than 1 March 2006, the Minister must—

(a) Undertake, in consultation with providers, a review of the operation, administration, and effectiveness of the export education levy; and

(b) Prepare a report on the findings of the review; and

(c) Present a copy of the report to the House of Representatives.

3.4. Levy Income and Operation of the Levy

The industry is characterized by a significant diversity in the products offered, target markets, institution ownership, organisation and objectives, and the degree of importance of export education to individual institutions. In English language schools export education is often the core business; for some tertiary and secondary institutions it supplements domestic education and is approached in a businesslike manner; for many other institutions it is a marginal activity only involving a small number of students each year. The following graph shows the proportion of total Levy funds received contributed by the relevant sub-sector group for the 2004/05 year.  

Funds raised by the Levy are held in an export education levy trust account and are ring-fenced to ensure that strategic development work is ongoing and securely resourced. The MoE was initially responsible for administration of the Levy and delivery of the associated work programme although from 1 July 2004 the responsibility for managing and administering research, promotion, capability development, quality improvement (other than Code administration) and contract management was transferred to the Education New Zealand Trust (“ENZ”).
ENZ is a not-for-profit charitable trust governed by an independent chairperson and a board of directors comprising industry members. The ENZ Board is appointed by an electoral college which votes on the basis of the Levy paid by the various sector groups within the industry and therefore reflects the composition of the industry. A purchase agreement between the MoE and ENZ now covers the development and management by ENZ of the Levy work programme and industry development activities, for any given year.6

The MoE continues to collect the Levy Funds and manage the process of appropriations, administer Levy funds which support the Code of Practice and administer Levy funds required to compensate the Crown for expenses incurred in assisting international students affected by PTE closures. Appropriations are required because, as a Ministry, parliamentary authority is required in order to incur expenditure. The amount of the appropriations is progressively refunded during the course of the year as Levy funds are collected. The MoE is also responsible for the gazetting of Export Education Regulations and also has ongoing accountability to Government for ensuring that Levy funds are appropriately used and for reporting annually on income and expenditure.

The following table summarises Levy income and expenditure for the last three financial years:

<table>
<thead>
<tr>
<th>Levy Income and Expenditure for the Last Three Financial Years</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Income</th>
<th>2004/05 $</th>
<th>2003/04 $</th>
<th>2002/03 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export Education Levies</td>
<td>3,628,419</td>
<td>3,525,519</td>
<td>1,938,003</td>
</tr>
<tr>
<td>Sales of Code Guidelines</td>
<td>12,016</td>
<td>11,333</td>
<td>5,795</td>
</tr>
<tr>
<td>Interest Received</td>
<td>180,517</td>
<td>92,879</td>
<td>7,624</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td><strong>3,820,952</strong></td>
<td><strong>3,629,731</strong></td>
<td><strong>1,951,422</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>2004/05 $</th>
<th>2003/04 $</th>
<th>2002/03 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Fee</td>
<td>5,500</td>
<td>5,500</td>
<td>5,500</td>
</tr>
<tr>
<td>Export Education</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bad Debts Written Off</td>
<td>932</td>
<td>27,759</td>
<td>-</td>
</tr>
<tr>
<td>Doubtful Debts Provision</td>
<td>-28,505</td>
<td>30,000</td>
<td>-</td>
</tr>
<tr>
<td>Professional Development</td>
<td>752,380</td>
<td>497,312</td>
<td>161,232</td>
</tr>
<tr>
<td>Promotion and Communication</td>
<td>711,111</td>
<td>447,010</td>
<td>14,932</td>
</tr>
<tr>
<td>Research</td>
<td>274,295</td>
<td>113,411</td>
<td>58,844</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry Body Core Funding</td>
<td>320,889</td>
<td>312,000</td>
<td>156,000</td>
</tr>
<tr>
<td>Levy Programme Management – Education NZ</td>
<td>177,777</td>
<td>75,906</td>
<td>52,500</td>
</tr>
<tr>
<td>Levy Collection and Administration – Ministry of Education</td>
<td>124,274</td>
<td>131,210</td>
<td>121,347</td>
</tr>
<tr>
<td>Code of Practice</td>
<td>716,338</td>
<td>765,392</td>
<td>497,031</td>
</tr>
</tbody>
</table>

---

6 Core capability funding is also provide to ENZ to enable them to provide the export education industry with a central point of information and advice on wide ranging issues, promote services that enhance the reputation of the industry, identify and follow up on opportunities available to the industry, act a an advocate of the industry nationally and internationally and maintain a governance structure and reporting mechanisms to industry.
### Levy Income and Expenditure for the Last Three Financial Years

<table>
<thead>
<tr>
<th></th>
<th>2004/05 $</th>
<th>2003/04 $</th>
<th>2002/03 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support for Students Affected by Failure of Provider</td>
<td>26,667</td>
<td>630,716</td>
<td>-</td>
</tr>
<tr>
<td>Accrued Support for Students Affected by Failure of Provider not charged</td>
<td>-274,546</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Export Education</strong></td>
<td>2,801,612</td>
<td>3,030,716</td>
<td>1,061,886</td>
</tr>
<tr>
<td>Cost of Goods Sold</td>
<td>21,860</td>
<td>48,783</td>
<td>6,627</td>
</tr>
<tr>
<td>Depreciation</td>
<td>601</td>
<td>533</td>
<td>250</td>
</tr>
<tr>
<td>Other Costs</td>
<td>116</td>
<td>130</td>
<td>44</td>
</tr>
<tr>
<td><strong>Total Expenditure</strong></td>
<td>2,829,689</td>
<td>3,085,662</td>
<td>1,074,307</td>
</tr>
<tr>
<td><strong>Net Surplus</strong></td>
<td>991,263</td>
<td>544,069</td>
<td>877,115</td>
</tr>
</tbody>
</table>
The MoE established a series of export education reference groups to assist in the development and implementation of the work programme associated with the Levy. Reference group members were nominated by education sector bodies. ENZ maintained this general structure although it condensed the three separate professional development reference groups into one reference group. These reference groups are:

- Professional Development;
- Research;
- Quality Assurance; and
- Promotion.

Each group develops a recommended programme of activities for the distribution of Levy funds. ENZ is responsible for the administration and management of the work programme, once approved by the MoE. The Levy is applied to other activities in addition to those managed by ENZ. The largest of these is the Office of the Code Administrator, which is part of the MoE. The International Education Appeals Authority is also paid for by the Levy.

Levy collection and administration is undertaken by the MoE, and the cost of this is taken from the Levy. The Government has also decided to keep Levy funds in reserve as allowed for by the indemnification purposes of the Act to safeguard against losses from provider collapses or fraud.

### 3.5. Comparison with Other Industry Levies

In setting the background to our review of the operation, administration and effectiveness of the Levy it is useful to contrast and compare the Levy with levies in other industries.

The Agriculture and Tourism industries also use levy funding to provide industry-wide benefits to levy payers. In this section we briefly discuss these other levies and provide a comparison of these levies with the Export Education Levy.8

#### 3.5.1. Agricultural Levies

The Commodity Levies Act 1990 ("CLA") allows an industry organisation to apply for a levy on a commodity and it requires that industry players vote, by referendum, on both the levy and the uses to which the levy funds will be put. The CLA also requires that the benefits of the levy exceed the costs of the levy.

The Allowable activities that levy funds can be spent on are:

- Product and market research;

---

7 The Professional Development Group was previously split into three subgroups in the areas of Schools, Tertiary and Teaching of English, but is now just one group covering all these areas.

8 The CRA International Report: “An Economic Review of the Export Education Levy” August 2005 provides the basis for the discussion of Agricultural and Tourism levies in this section.
• Product and market development;
• Generic industry promotion;
• Protection and improvement of plant and animal health;
• Quality assurance;
• Education, information provision and training; and
• Administration of the industry organisation.

3.5.2. Tourism Levies

There are 28 Regional Tourism Organisations (“RTOs”) in New Zealand, some of which are partially or wholly levy funded. There is no explicit legislative basis for tourism levies, outside of the powers of the local government under the Local Government Act 2002 to raise revenue for targeted rates. The guidelines for the key functions of RTOs indirectly indicate the acceptable uses of tourism levies.

• Regional destination branding and promotion;
• Strategic planning;
• Product development;
• Management of regional Visitor Information Network centres;
• Support for regional conference venues and services;
• Regional event promotion and development; and
• Regional tourism-related research.

3.5.3. Comparison with Export Education Levy

The key similarities between the levies are:

• They are all mainly justified on the basis of a perceived ‘free-rider’ problem in the industry;
• In all cases the levy payers are the key beneficiaries of the use of levy funds;
• In all cases there are numerous beneficiaries;
• Each levy scheme has some form of written documentation, either through legislation or a set of guidelines, on the acceptable uses of levy funds;
• In each case a relevant industry body is responsible for determining the use of levy funds; and
• At a broad level, funds obtained from each industry levy are applied to a similar set of uses.
The key differences between the levies are:

- The export education levy is essentially a two-part levy, with a flat fee and a percentage component. In contrast, both the agricultural levies and the tourism levies have only a variable dollar per unit component;

- In the agricultural industries, the levy payers are all farmers producing relatively similar products. In contrast, the export education industry institutions cover a range of different education levels and infrastructures and there may be differences in the interests of the various institutions;

- The export education industry is more concentrated than either the agricultural or tourism industries, e.g. the eight universities currently pay 44% of the total levy funds; and

- The export education levy is compulsory under law and collected by government while the other levy types are not legislated specifically in the same manner (although they are nonetheless compulsory once they have been approved by the respective sector, that is, they are dependent on industry support to become and remain compulsory).
Comparison of Export Education, Agricultural and Tourism Industry Levies

<table>
<thead>
<tr>
<th>Feature</th>
<th>EEL</th>
<th>Agricultural</th>
<th>Tourism</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rationale for Levy</strong></td>
<td>Key rationale is market failure leading to free riding and insufficient investment in certain areas.</td>
<td>Market failure leading to free riding and insufficient investment in certain areas.</td>
<td>Market failure leading to free riding and insufficient investment in certain areas.</td>
</tr>
<tr>
<td><strong>Levy Payers</strong></td>
<td>All education providers with FFP students.</td>
<td>All farmers in the relevant industry.</td>
<td>Commercial ratepayers and/or tourism operators, plus some general rate funding.</td>
</tr>
<tr>
<td><strong>Basis of Levy</strong></td>
<td>Fixed fee plus percentage of tuition fees paid by FFP students.</td>
<td>Variable rate per quantity produced (per head or per kg) of relevant commodity.</td>
<td>Variable rate per capital value of the property.</td>
</tr>
<tr>
<td><strong>Procedure for Setting and resetting levy</strong></td>
<td>May be set and reset by Governor General by Order in Council following industry consultation.</td>
<td>Set annually in consultation with industry and voted on six-yearly by industry referendum.</td>
<td>Depends on the region, but likely to be set annually in rate setting process with industry consultation.</td>
</tr>
<tr>
<td><strong>Who decides on uses</strong></td>
<td>In the main ENZ administered reference groups, with final approval by MoE. (Note Code of Practice funds and compensation of students affected by provider failure are administered by the MoE.)</td>
<td>Relevant agricultural industry association.</td>
<td>Relevant RTO</td>
</tr>
<tr>
<td><strong>Main uses of levy</strong></td>
<td>Research, generic promotion, education and training, quality assurance, administration.</td>
<td>Research, development, generic promotion, education and training, quality assurance, plant and animal health, administration.</td>
<td>Research, development, generic and event promotion, strategic planning.</td>
</tr>
</tbody>
</table>
4. **Review Methodology**

This section describes Deloitte’s approach to undertaking our review of the Levy.

Our review methodology is summarised in the following diagram. The main components of this methodology are discussed in more detail below.

![Methodology Diagram]

### 4.1. Consultation with the Review Steering Committee

Deloitte sought clarification from a Review steering committee, composed of representatives of the MoE and ENZ, on the scope of the review, the extent of research required, and the drafting of all reports. ENZ are involved as a member of the Review steering committee as they are the lead industry body and are involved with the operation and administration of the Levy.

### 4.2. Review of Export Education Levy documentation

Relevant documentation was obtained from the MoE and ENZ relating to the operation, administration and effectiveness of the Levy.

This documentation review included documents provided by the MoE and ENZ as well as documents sourced from the ENZ and MoE websites. Our documentation review included:

- The policy intent behind the establishment of the Export Education Levy;
- The financial management systems operated by the MoE;
- The three Annual Reports on the Levy (2002/03, 2003/04 and 2004/05);
- The reports of the levy reference groups, from early 2003 to end 2005;
• The quarterly monitoring reports on the levy work programme provided to the MoE by ENZ; and

• Tender documents, contracts, and completed projects prepared as part of the levy work programmes for 2003/04 and 2004/05.

A full list of the documents reviewed is outlined in Appendix Three.

4.3. Interviews with Lead Sector Organisations

Deloitte, with the assistance of Russ Skinner from Skinner and Associates Limited, undertook a combination of face-to-face and telephone interviews with representatives of sector organisations to inform the assessment of the operation, administration and effectiveness of the levy. Thirty-eight people were interviewed. A full list of the interviewees, their roles and job titles is provided in Appendix Two.

All approached were willing to be interviewed – some expressed appreciation that this was occurring.

These interviews elicited responses which were rather different from the on-line survey. The reasons for this are suggested below:

a) People interviewed were generally either representative of a wider organisation or were senior in their provider institution; and

b) People were better able to argue a balanced viewpoint in a live conversation.

4.4. On-line Survey

An on-line survey was undertaken with education providers who pay the Export Education Levy. The questionnaire was prepared by Deloitte and approved by the Review steering committee.

The Review required that consultation was undertaken with education providers. This was achieved through both interviews of lead sector organizations and an on-line survey. The on-line survey was designed to provide other education providers with the opportunity to have their say on the Levy. The survey was voluntary in nature and the timeframe for completing the survey was quite limiting (that is, there was a short time-frame to provide responses and it was undertaken at a busy time of the year).

Sixty eight responses were received (3.25% response rate).

The nature of a voluntary survey necessarily means that those providers who have strong views on the Levy are the most likely to respond. We noted that some of the comments seemed particularly inflammatory as well as a number being based on mis-information. The results of the on-line survey therefore need to be considered in this context and they are therefore unlikely to be representative of the views of the entire industry especially given the low response rate.

The results of the on-line survey are outlined in Appendix One.
4.5. Advice from International experts

Deloitte and Russ Skinner also sought international views of the Levy from experts well known in the field of international education.

The international context of funding systems for the support of international education in English-speaking destination countries (e.g. Australia, Canada, the UK, Ireland), and how the Levy compares was also investigated.

4.6. Process documentation review

Key personnel within the MoE and ENZ were interviewed to provide an overview of the background for the collection, administration and operation of the Levy. Included in Appendix Five are high-level process maps produced from the information obtained from these interviews.
5. Operational Findings

5.1. Introduction

This section of the Report discusses the operational findings from the Review. The scope of our review of the operation of the Levy includes consideration of the efficient assessment of Levy amounts due to be paid by providers, collection of the Levy, payment compliance and administration of the Levy trust account.

A high level description of the collection process is contained in the process maps in Appendix Five. The process of assessing and collecting the Levy is relatively efficient and our review did not find any major shortcomings in this area.

5.2. Levy Reserves

The level of reserves detailed in the Levy financial statements for 2004/05 is $2,412,447.

From our interviews with the MoE and ENZ we were advised that the Fund needs to have approximately $500,000 in reserves in order to cover potential collapses of providers. This amount of reserves does not take into account the peaks and troughs in Levy funding. The MoE was of the view that the level of revenue was likely to decrease in the future and so such a reserve would be used to fund working capital.

But, even with these factors in mind, the current level of reserves appears high. The problem with having too high a level of reserve is that it gives a perception to education providers that they are currently being asked to pay too much in Levy funds, or that Levy funds are not being used as planned.9 Given the student fee protection scheme and the strengthened role of NZQA in monitoring providers we do not believe that a high level of reserves is required in respect of provider failure.

**Recommendation: Levy Reserves**

Although the MoE has broad parameters as to the appropriate level of Levy reserves and also monitoring of reserves to ensure that reserves stay within certain levels, there needs to be more specific guidelines put in place in respect of reserve levels.

As part of this we recommend that forecasting be undertaken to estimate the level of reserves needed to accommodate the fluctuations in Levy funding.

ENZ has asked that the Levy rate for 2006 remain at the same amount.

---

9 We note that there is a tension, in some instances, in respect of the reference group representation. Some members of the reference group appear to want to reduce the number of projects which are funded in order to justify a future reduction in the Levy rates.
5.3. Levy Collection

The collection process is generally straight forward and relatively simple\(^\text{10}\). However there are a number of areas which can potentially cause complications or issues in respect of the collection process that were identified in our interview with MoE staff:

- In the school sector if a student enrolls after the 1 July roll return period a paper based system is used to determine the Levy component.

- There is currently no refund of the Levy component for students in private and integrated schools who are not full-year students. (We understand that this is going to be changing from next year and that a refund will be provided).

- A provider is required to submit a return in respect of whether they have any FFP students. Some providers submit a nil return indicating that they do not have any FFP students. At this point the provider’s obligations are met and there is no legislation that requires these returns to be audited. There is the potential that a nil return is falsely submitted and it would be difficult to detect (the Levy Administrator at the MoE was unsure whether NZQA audit this).

- While the Levy Administrator at the MoE does have access to the Immigration Database as an additional check on whether there are likely to be FFP students enrolled at an institution, they are reliant on this database being correct and up-to-date.

5.4. Summary on Operational Findings

The processes in respect of the operation of the Levy are relatively simple and straight forward. Assessment processes are relatively efficient. We believe that the MoE should retain responsibility for collection of the Levy as it is in the best position to undertake this role. Funds raised by the Levy are held in a Crown account before being transferred to the Levy trust account and are ring-fenced to ensure that strategic development work is ongoing and securely resourced.

The level of reserves is currently high and consideration needs to be given to what is an appropriate level of reserves.

A structured process is in place to follow up any outstanding providers who have not paid the Levy. Contact is made via the MoE Levy Administrator, followed up with a letter if necessary and finally debt collectors and court processes can be used to collect the debt. Unpaid Levy amounts are not a big problem: there were just two defaulters in the most recent trimester.

The Levy trust account is audited by Ernst and Young, Chartered Accountants, and a MoE steering committee reviews the monthly Statements of Financial Position and Performance of the Levy trust account.

\(^{10}\) For a description of the collection process refer to the process maps in Appendix Five.
6. Administration Findings

6.1. Introduction

This section of the Report discusses the administration findings from the Review. The scope of our review of the administration of the Levy includes consideration of the mechanism used to determine expenditure on Levy programmes and the process of allocating funds to specific projects by the MoE, ENZ and the Levy Reference Groups.

6.1.1. Levy expenditure for the last three years (and budgeted 2005/06 amount)

The following graph shows the categories where Levy funds have been spent as detailed in the Export Education Levy Annual Reports and the budgeted amount for 2005/06.11

The Universities via the New Zealand Vice-Chancellors’ Committee (“NZVCC”) believe that a disproportionate amount of the Levy funds are being used in administrative, management and monitoring activities within New Zealand rather than on marketing and promotion. The Universities feel that very little of the costs are being incurred by them but rather reflect the very large numbers of small providers who are costly to monitor and regulate. The NZVCC has suggested that a more equitable method would be to charge a larger flat fee per provider (eg $2000) with limited exemptions plus a smaller per capita charge.

11 Refer to the table within “Section 3: Background” for a more detailed breakdown on Levy income and expenditure.
From the CRA International Report\textsuperscript{12} the following points were made in relation to the efficiency of the Levy and the various uses of the Levy funds:

- The report questions the use of the Levy for education and training as institutions already have strong incentives to invest in their own staff;
- That quality assurance measures are a legitimate candidate for levy funding;
- That the application of the Levy to research activities may still be efficient, even if the ‘free rider’ problem is not material;
- That investment in generic promotion of the New Zealand export education industry is subject to a free rider problem and accordingly is a legitimate candidate for levy funding; and
- Assuming industry participants benefit from the levy scheme as a whole, then it is efficient that they contribute to the costs of administering that scheme.

6.2. **Communication between Education New Zealand and the MoE**

6.2.1. **Reporting by Education New Zealand**

ENZ provides a quarterly report to the MoE on both Levy funded and directly government funded activities. These reports report against the various output groups relating to Levy funded activity and activities required to be performed by ENZ as outlined in the purchase agreement between ENZ and the MoE.

The reports are quite prescriptive and provide reasonably detailed information on the activities which ENZ has undertaken over the period being reported against. The output groups which ENZ reports against are:

- Information and Advisory Services to the Industry;
- Governance and Accountability; and
- International Education Promotions Activities.

The quarterly reports have developed over time from being overly descriptive of the activities that ENZ has been involved in over the period to more focused reporting. From the perspective of the MoE we believe that the level of reporting provided by ENZ would provide the MoE with a good understanding of the activities which have been undertaken over the period by ENZ (apart from activities relating to Governance and Accountability). This level of reporting would enable the MoE to determine whether the requirements of ENZ as detailed in the purchase agreement are being met.

The Governance and Accountability section of the report is the one area in which there is not a lot of detail on the activities undertaken by ENZ, for example, the reporting in this section generally states,

\textsuperscript{12} “An Economic Review of the Export Education Levy” August 2005
how many times the board met and that further legal advice was sought on certain issues without going into greater detail.

In addition to the quarterly reporting there are also regular meetings that are held between ENZ and the MoE, ENZ has also raised issues formally in writing with the MoE in respect of their administration of the Levy fund.

6.2.2. Issues Identified

During the course of our review it was evident that there was some uncertainty by ENZ in respect of the level and frequency of financial reporting detail that needed to be provided to the MoE by ENZ. ENZ currently believe that they are providing adequate detail in the quarterly reports relative to the areas in which Levy Funds are being spent. The MoE however, have been requesting more financial detail in relation to specific projects and have been requesting detailed breakdown of project funding prior to a project starting in some instances. ENZ were of the view that the financial reporting detail is too complex.

From discussions with the finance manager at the MoE we understand that this level of detail is required to support the MoE’s financial reporting requirements. We also understand that there are current communications with MoE’s auditors as to the whether detailed invoices are required from an audit perspective.

**Recommendation: Financial Reporting Obligations**

We recommend that the MoE and ENZ continue to meet to discuss the exact nature of financial reporting requirements with respect to the Levy activities so that ENZ clearly understand exactly what they need to report on and why.

We believe that it would also be useful to determine whether there is an alternative to making an appropriation from government which may change the reporting requirements (for example, could the current legislative requirements be placed in the agreement for procurement services between ENZ and the MoE?).

6.3. Reference Groups

The reference groups assist in the development and implementation of the work programme associated with the Levy. Reference group members are nominated by industry peak bodies. The groups are composed primarily of member organizations and a MoE representative with nominated outside experts, as appropriate.

ENZ facilitated all reference group meetings during 2004/05, each of which is chaired by an elected industry representative. There does not appear to be a set timeframe in respect of frequency of meetings although we understand that the goal is to have these at least quarterly (the reference groups generally meet more frequently during the preparation of the annual levy work programme). The activities of the reference groups typically involve scoping the previous research work undertaken in each area, discussion of key priorities for projects and consulting on these with sector groups, and the review and selection of final proposals from a range of tenderers.
We understand that there is a move to longer term planning in respect of the work programmes being undertaken by each of the reference groups and that the reference groups are now looking to consider a two-three year time horizon while developing their workplans. This corresponds with the MoE’s desire in seeking three year plans from ENZ in respect of future work plans.

We believe that the move to longer term planning will be beneficial to all those who have involvement with the Levy; from education providers who can see the ‘bigger picture’ of where their Levy funds are being spent, to the MoE and ENZ to assist with planning for the financial requirements to support the work programme and also for the reference groups who will have the potential to assess the merits of longer term projects and will be able to make more strategic decisions on the best use of the Levy funds allocated to them.

Collaboration between the reference groups has increased since their inception and there have been a number of changes to the composition of the reference groups that have enhanced collaboration efforts. For instance, the ENZ contract manager is present at all reference groups to help ensure consistency and the number of reference groups has been rationalised from six to four with the amalgamation of the three separate professional development reference groups.

We understand that the sector had initially proposed that the chairs of all the reference groups meet on occasions to improve the collaboration between groups but that this was not adopted. We believe that there would be merit in investigating whether this approach could be considered again as this would help to improve the level of collaboration between the various reference groups.

Comments were freely made and highly varied about the effectiveness of the reference groups. Some saw these as ‘as good a way as any’ to secure the engagement of the subparts of the industry and were satisfied or philosophical about the members’ ability to represent their views while others voiced some minor concerns about the structure and operation of the reference groups.

But issues which arose from some are documented below without any attempt to test their veracity or consensus:

a) **Leadership** – that Chairs were not necessarily qualified or skilled enough to bring together disparate viewpoints.

b) **Agendas** – agendas and papers were delivered to members too late and that members frequently arrived poorly briefed and prepared.

c) **Timekeeping** – some reference group members of some groups are said to display casual attitudes to apologising for non-attendance, arriving late and leaving early for flights or other commitments. Some members are frustrated but silent on these issues.

d) **Membership** – respondents were often unclear as to how membership of reference groups was selected. There was some criticism of multiple membership by individuals.

---

13 We note that occasional bilateral negotiations are necessary in many instances within the reference groups when trying to negotiate a consensus opinion from a large group of people.
6.3.1. Research

ENZ fully supports the Levy being used to fund industry good research. Levy payers are generally supportive of research activities as long as they have clear outcomes. We also received comments during our interviews that recent changes to the terms of reference of the research reference group should be of value, especially if more funding is spent on market-oriented research14.

6.3.2. Professional Development

ENZ reflects mixed support for the Levy being used to fund professional development. ENZ would prefer to allocate a strictly limited Levy amount for professional development.

6.3.3. Quality Assurance

The majority of the money allocated to this area is spent on the quality assurance of the Code. The QA reference group appears to meet the least and have a minimal mandate.

6.3.4. Promotion

ENZ developed a proposed marketing plan in respect of international education in June 2005. Although this has not yet been adopted a number of useful points are worth reiterating in this report.15

The plan identified that neither the export education industry nor ENZ could operate in isolation of government and stakeholder strategies. This is because government:

- Has an ownership stake in the majority (by value) of industry;
- Have historically and currently committed targeted resources to industry to support generic marketing activity;
- Has an active role in supporting industry marketing through ministries and departments such as New Zealand Trade and Enterprise;
- Has a wider international relationship management role that includes an educational component and has an active programme that supports that objective (eg MoE and the Ministry of Foreign Affairs and Trade);
- Impacts on the overall market via the activities of associated or relevant agencies and policies (eg the Immigration Service of the Department of Labour and the New Zealand Qualifications Authority); and
- Impacts the domestic industry via regulatory involvement (eg NZQA. MoE).

---

14 One of the changes to the terms of reference was to allow market-type research to be undertaken in specific areas of interest to New Zealand’s education export industry. This type of research had previously been prohibited in the original terms of reference.

15 Proposed 2005/06 Generic Marketing Strategy for International Education: ENZ, June 2005
The above factors reinforce the requirement that the relationship between industry, ENZ and government is crucial to the development of an overall marketing strategy and a specific programme of activities.

6.4. Future Role of the MoE and ENZ

The MoE currently plays an active role in respect of the Levy. It is responsible for the collection of Levy funds, has ultimate sign-off of the work plan in respect of Levy funded projects and is required to produce an annual report on the Levy.

During the course of our review we questioned interviewees at the MoE and ENZ about whether there needed to be a shift in the current responsibilities undertaken in respect of the Levy.

6.4.1. Collection of the Levy

The Crown’s proprietorship, strategic and policy interest in export education make collection by a government agency more appropriate than collection directly by industry bodies. The collection process is also reasonably straightforward with internal systems in place to ensure a smooth collection process. Given these factors we believe that the collection of the Levy should continue to be undertaken by the MoE.

6.4.2. Approval of Levy Workplan

The MoE has the overall responsibility for signing off the annual Levy workplan. Although they have final sign-off responsibility to date the MoE has not altered the draft work plans submitted for review by ENZ and the amounts set aside for each reference group are set in conjunction with ENZ. The MoE believes that they need to have this final sign-off responsibility to ensure that all the activities that the Levy is intended to be used for are in fact included in the annual work plan. Given that the government is the ultimate funder of the majority of the providers (in terms of value) there is a public sector interest in the providers and the activities in which they are involved.

6.4.3. Monitoring of Levy Projects

From our interviews with ENZ we perceived that the MoE plays a relatively active role in monitoring the individual project budgets and ensuring delivery of the projects outlined in the purchase agreement between ENZ and the MoE (to the extent that the MoE micro-monitors the detail behind the budget figures). Given that ENZ has responsibility for the administration and management of the Levy work programme, and that there is an audit of the figures, the MoE and ENZ need to be clear about the respective roles which each of them have in relation to the Levy work so as to avoid any duplication of effort.

If the MoE takes a more active role than is necessary this potentially negates the benefits of devolving responsibility to ENZ and could create the perception amongst the industry that the MoE still controls the administration of the Levy work programme.
6.4.4. Role of the ENZ Board

At present the level of the compulsory Levy is set by the government, the levy is collected by the MoE and the MoE has the final sign-off of the work programme allocation. ENZ’s role is to ensure that delivery happens accordingly pursuant to its contract with the MoE.

Given the current level of involvement that the MoE has in respect of the Levy we raised the question as to whether there needed to be greater devolvement of responsibilities to the ENZ Board. ENZ would like to see more decision-making authority given to the ENZ Board, for example authority on how much funding is allocated to each of the various reference groups. This could potentially be taken to one extreme of removing the purchase agreement between ENZ and the MoE with ENZ reporting and being accountable to Levy Payers rather than the MoE. The MoE would continue in its role as the party responsible for collection of the Levy and in its policy advice role.\(^{16}\)

From the Governance and Accountability section of the report there is not a lot of detail on the activities undertaken by the ENZ Board so it was difficult to determine the extent of involvement of the ENZ Board with the Levy programme.

Given the current position of the MoE in having final sign-off of the work programme and needing to be consulted in respect of certain aspects of the operation of the Fund\(^ {17}\), there is the potential that the ENZ Board has less decision making authority than would normally be expected of a Board of Directors. This could potentially create the perception amongst education providers of the government having too much involvement in the use of Levy funds, and of ENZ being a quasi-public sector entity rather than an independent body\(^ {18}\).

**Recommendation: Strengthen Role of ENZ Board**

That the Role of the ENZ Board by strengthened by devolving more of the ultimate decision making from the MoE to the Board (for example, determination of final levy funding allocations to each of the reference groups).

6.5. Summary on Administration Findings

The Export Education work programme does provide the channel for industry input. Industry reference groups develop the work programme for the use of Levy funds in consultation with other industry participants. While the programme does require final signoff by the MoE there is a large degree of input by the industry and we note that the MoE has never vetoed or altered a reference group decision.

\(^{16}\) We note that ENZ has requested the Minister for Tertiary Education work with ENZ to set a path to further devolve responsibility for industry development to ENZ.

\(^{17}\) For example, the Ministry of Education needs to be consulted in respect of any transfers in Levy funds between the budgets of different reference groups to ensure that the appropriations are not exceeded.

\(^{18}\) Cabinet Decisions state that the MoE is responsible for collection of Levy funds, administration of Levy funds supporting the Code of Practice and administration of Levy funds required to compensate the Crown for expenses incurred in assisting international students affected by PTE closures. ENZ is responsible for all other elements of the Levy work programme as outlined in the purchase agreement between ENZ and the MoE. The Cabinet Decision does make reference to the annual work programme being developed by ENZ but states that once the work programme is finalised that it needs to be approved by the MoE.
ENZ and the MoE have a regular flow of communication and reporting. The exact nature and extent of this reporting is an area that needs clarification in order to prevent any misunderstandings about requirements. Devolving more of the decision making authority from the MoE to the ENZ board should also be considered as this is likely to increase acceptance of the Levy by education providers.

The move to longer term planning by ENZ and the reference groups will be beneficial to all those who have involvement with the Levy. Collaboration between the reference groups has improved since the Levy’s inception, although there is potential for more collaboration which will help to ensure consistency in planning and outputs from the Reference groups.

The processes used to allocate Levy funds to the various authorised work programmes appear to be well structured from an accountability point of view although not particularly understood by providers, who felt that there was a lack of channels for input into the allocation process.

Promotion and marketing has the greatest proportion of Levy funds allocated to it and is the area with most support by Levy payers.
7. **Effectiveness Findings**

7.1. **Introduction**

This section of the report discusses the effectiveness findings from the Review. The scope of our review of the effectiveness of the Levy includes consideration of whether the Levy expenditure and the funded projects have achieved the purposes of the Levy as stated in the legislation.

Our discussion in this section is prefaced by the comment that we believe that it is potentially too early to assess the effectiveness of the Levy particularly if the effectiveness is considered at a programme level. The reason for this is that the Levy work programme has been in place for less than two years. Levies in other industries are generally reviewed at six yearly intervals. For this reason this section tends to make reference to more anecdotal evidence of effectiveness.

There was much pragmatic and resigned acceptance of the Levy by those interviewed on effectiveness. A common response was that if there had to be one, then the purposes to which it was being put were generally appropriate. One university indicated its position on the Levy was changed from opposition to acceptance since its inception and that that was probably true across the sector. The New Zealand Association of Private Education Providers said, “Now its entrenched, our people are not anti-levy.”

Few knew the quantum of the Levy but most were aware of its targeted purposes.

Some discussion ensued as to whether Levy investment should be targeted to benefit each sub-sector in approximately the same proportions as was contributed. No resolution was reached on this. In fact some opinion had it that ‘development need’ should be the principal criterion behind allocation and that ‘free-riding’ was quite acceptable given that the industry was only as strong as its weakest links. Others were strongly opposed to any hint of cross-subsidy between the strong and the weaker.

7.2. **General**

Once acquainted with the way the Levy has been allocated in the first years, many interviewees were generally supportive. The sheer quantity of activities in the last two years of work programme was enough for some to indicate some satisfaction. Some qualification to these views is mentioned in section nine.

One agency pointed out that some purposes of the Levy were also addressed by other funding and mechanisms. It was suggested that the reference groups may well have a mandate added to their brief to acquaint themselves with activity outside that which is Levy funded. Professional development of personnel was an example cited.

More communication to sector groups on key outcomes from Levy funded work needs to occur. This is made clear from the comments from the on-line survey questions noted above and was also reiterated through our interviews with the MoE. Although an ENews bulletin is emailed out to providers fortnightly and the reports from the Levy funded projects are all available for access on the
ENZ website, there needs to be a better forum for dissemination of the key outcomes to education providers.\textsuperscript{19}

ENZ is aware that this is an area that requires improvement and are in the process of producing a Report of Activities for the 2004/05 year in respect of the Levy. The draft report that we have reviewed provides a summary of the key projects that have been undertaken over the year, together with a summary of where Levy funds have been spent. If this is disseminated in a timely manner using an appropriate forum this should help to alleviate some of the concerns in relation to lack of communication to the sector on key outcomes.

ENZ is also looking at setting up a dissemination workplan which outlines the consequences of a report and what will happen as a result of any outcomes from the report. This will allow ENZ to communicate clearly what the follow up to a particular project is, if any

7.3. Professional Development

Many recognised that initial investment in this area focused on pastoral care and quality assurance. Recent amalgamation of the Professional Development (PD) reference groups was seen by some as good way to support a pan-sector approach to PD. Large and capable providers felt their own investment in PD, and international PD specifically, was very adequate and that Levy-funded activity for them was superfluous and encouraged ‘free-riding.’

Language schools, as represented by APPEL, are highly critical of the PD programmes and what they see as the failure to target specific needs\textsuperscript{20}. They argue their people development needs are not generic and that a proportion of the Levy fund should be returned to them to help address and self-manage their own needs.

7.4. Research

Again pastoral care was recognised as an initial priority but was not as well supported now as market demand and decision-making research. One provider argued convincingly for more studies selected to disprove some business cases for development. They cited the tendency for some ideas to be researched only to reinforce predispositions and stressed the importance of needs-driven research with defined outcomes. The research reference group was seen as operating well but encouraged to canvass industry needs and contract vital research, rather than offer the fund as a contestable resource for research ideas\textsuperscript{21}.

\textsuperscript{19} When we accessed the ENZ website we noted that the level of functionality of the signatories secure section of the website could also be improved with the addition of search functionality and ensuring that the links within the website are operational.
\textsuperscript{20} We note that the original structure of the professional development reference groups was set up in such a way that they catered specifically for English language schools.
\textsuperscript{21} It should be noted that the contestable part of this fund is only a small part of the total research funding pool with the bulk of the research funding being utilised for research activities which are detailed in the workplan from the research reference group.
7.5. Quality Assurance

The majority of Levy funds allocated to the quality assurance reference group is allocated to the Code of Practice for the Pastoral Care of International Students. The effectiveness of the Code is largely outside of the scope of this Review and therefore there is little else upon which to comment about Levy-funded quality assurance work. A project to study the feasibility of industry standards is in the 2005/06 work programme, but the majority of levy spend in QA goes to the Code ($716,000 in 2004/05). Broad comment received regarding the effectiveness of the Code is made in Section 9.2.2.

Given this emphasis on quality assurance in respect of the Code we query whether there should be more initiatives which focus on the quality of education.

7.6. Promotion and Communication

Since the introduction of the Levy, work programme allocations in promotion and communication have risen in both real and absolute terms. Generic New Zealand brand investment is seen to:

- Have widespread benefit to all segments of the export education industry;
- Counter potential free-riding behaviour by any provider or sub-sector; and
- Be an investment that no one provider, region or sector can be expected to shoulder. It is a whole nation, whole industry responsibility.

In general, interviewees supported careful, targeted, marketing and promotion as a priority for Levy funding. Not all agree with the tactics chosen and few can distinguish between ENZ spending which is Levy funded and that from other sources.

22 The 2005/06 figure of $1,644,000 is the proposed budget for Levy promotion and communication. This figure is dependent on Cabinet agreement to a change in appropriations from the current agreed amount of $1,173,000.
The industry is, and always has been, vocal and critical about its peak body and the promotional tactics it chooses. But it is clear that the Promotions Reference Group (“PRG”) is robust, representatively constituted and capable with an explicit mandate to task ENZ with implementing its plans.

Some specific comments were made as to the marketing and promotions capability of some members of the PRG. It was agreed that representation was less important than professional expertise.

The Promotions Management Committee (“PMC”) consists of government agencies which are particularly responsible for oversight of the Government’s contribution to international education marketing. The role of the PMC as distinct from the PRG is less clear to those interviewed who knew of their existence. There appears some confusion about the accountability of the reference group verses the management group and some clarification to the industry might be called for. It was suggested by one respondent that the PMC might just be a hangover from the New Zealand International Education Marketing Network (“NZIEMN”) era and that the PRG should assert its mandate and the accountability that accompanies it.

### 7.7. Industry Body Core Funding

The ENZ Trust is funded from the levy to supply core services to support the export education industry development activities and to undertake management of the levy work programme. This funding is provided through the contract with the MoE.

ENZ consults with the MoE, through the International Division, in the development of the annual work programme. The Trust is responsible for managing the delivery and contracting out of the work programme along with a number of other activities. They manage the tender process and manage and monitor the contracts themselves. The Trust is required to undertake an annual review of the Levy work programme.

Reaction by interviewees to this use of the Levy is highly variable. Viewpoints cover enthusiastic support to expressions of no confidence.

But few are able to illustrate their criticisms and many are apparently content to accept the services and blame the scapegoat. Constructive criticism from the critical is rare.

Conversely, those who support the roles of ENZ and its status as the peak body in the industry cite commitment to consultation in adversity, excellent industry advocacy, a valiant effort to organise PACE and very competent management of the ‘New Zealand Educated’ brand.

It appears ENZ will never be able to satisfy the whole industry all of the time. The only alternative to the current funding model suggested was ‘give it back to us,’ hardly a constructive solution which encourages efficiencies, coordination and engagement as a whole industry.

### 7.8. Reimbursement of International Students

The Minister of Education is empowered to use Levy funds to reimburse international students affected by the closure of a private training establishment.
During the financial year ended 30 June 2005, a total of $26,667 was paid to other institutions which provided for the international students affected by a closure of a PTE. During the previous year $630,716 was used similarly.

Some on-line survey respondents clearly perceived that the Levy was never intended for a ‘rescue’ purpose. Although this purpose was not in the original legislation it was added to the legislation following a number of high profile collapses of PTEs. We note that the industry as a whole stands to benefit from a purpose such as this as the failure of a provider can impact the reputation of the whole sector.

This purpose was generally accepted and endorsed, although many questioned the relative roles of the Fee Protection scheme as distinct from the above. A later discussion can be found on the levels of reserves for these and other purposes.

7.9. Administration of the Export Education Levy

Administration costs of the Levy are recovered from the Levy funds. Administration costs include Levy collection and policy work by the MoE, and the administration of the work programme contract with ENZ. Expenditure on administration in 2004/05 totalled $124,274.

Interviewees generally accepted that this was a legitimate and necessary cost but warned against inflationary creep. Few could distinguish its purpose from other MoE funding such as the International Student Levy. There is potential for communicating these distinctions better.

7.10. Monitoring of Providers

Providers undertaking Levy funded projects are required to provide milestone reports to ENZ under the contract that they enter with ENZ. If ENZ is not satisfied with progress, payment to providers can be withheld or in some circumstances the project can be terminated prior to completion.

At the completion of a project the project report is considered by the reference group who will look at what next steps need to be undertaken as a result of the report. Recommendations are recorded in a central database kept by the contracts manager at ENZ.

The structured application and tender process in respect of potential Levy projects has helped to ensure that only projects which are likely to be effective are funded by the Levy. ENZ also prepares a projects report on the Levy work programme each year. A standard template for each project is completed with the following main categories:

- Project Title;
- Reference Group;
- Summary of the Project;

23 From our discussions with ENZ we understand that they are considering developing a contestable pool or providers from which a closed tender approach would be used. This would have the benefit of reducing the time and costs associated with an open tender approach.

Review of the Export Education Levy
January 2006
• Provider;
• Project Budget;
• What Progress Reports were received;
• What Delays or Problems were experienced;
• Commentary on the performance of the contractor
• Evaluation/Outcome; and
• Lessons Learnt.

The structure of the template does provide a good ‘snapshot’ of the particular project and it was pleasing to see that there were sections that allowed for problems and lessons learnt to be detailed.

It would have been useful if the template included a separate “next steps” section. Some project reports did not appear to have any next steps detailed or these were included in the Evaluation/Outcome section.

It was also noted that there was a varying degree of usefulness in terms of the evaluation/outcome of the project. For example one of the reports focused on what was good about the tender process for the project rather than the outcomes of the specific project.

### 7.11. Summary of Effectiveness Findings

This section was prefaced by the belief that it is too early to assess the effectiveness as the Levy work programme has been in place for less than two years.

A common theme that surfaced from interviewees was that there has been an increased, if somewhat resigned, acceptance of the Levy since its inception.

There is no clear consensus at present on whether the Levy investment should be targeted to benefit each sub sector in proportion to their contribution. The effectiveness of the Levy needs to be judged by the extent to which expenditure is focused on the areas of collective need.

There are also contrary views in relation to how PD Reference groups are run and the PD programmes that the Levy has been spent on thus far.

The proportion of the Levy fund spent on promotion and communication has increased since the introduction of the Levy and most providers and ENZ see this as being a priority area. More communication to sector groups on Levy outcomes from Levy funded work needs to occur. ENZ are aware of this issue and are focusing on improving communication to Levy payers in the future.
8. International Comparisons

8.1. Introduction

The purpose of this section is to discuss the approach to export education funding systems within other English-speaking destination countries. In the context of our Review this helps to provide some comparison with New Zealand’s Export Education Levy (“EEL”). A number of international experts well known in the field of international education have also provided their views on New Zealand’s EEL.

Research through the Web and personal communication with senior executives in Ireland, Australia, Canada and the United Kingdom revealed just how common many of the policy and funding issues in export education are. Consistent quality assurance, national brand management, research, managing risk, funding generic marketing and professional development in the industry are familiar issues.

New Zealand emerges as up with the best of, and in some cases leading, these counterparts with decisive political initiatives, strong responses to quality and student protection, and a well-managed brand. Inter-agency cooperation would appear better than some and the level of funding committed to the export education industry, when measured on a dollar spent-to-dollar return on investment, has not been benchmarked, but it is suspected that it would stand favourable comparison.

The relative mix of government funding through various agencies, provider funding either levied or by subscription, and the role of intermediating agencies, varies greatly. In nowhere studied is there a direct comparison possible with New Zealand nor are there examples of a similar levy employed in New Zealand’s English-speaking competitors in export education.

8.2. United Kingdom

There is no EEL equivalent or any other levy in the UK. The British Council is both State and subscription funded and the latter is voluntary for providers. The Education UK grant comes entirely from government. Central government funding involvement is high. 24

Blair’s first Prime Minister’s Initiative (PMI) was warmly welcomed by the export education industry and there is some optimism that April 2006 will result in another PMI. 25 But the debate ensues on how the private sector can be made to shoulder their share of generic brand promotion and a reinforced quality assurance system.

---

Changes to the immigration rules for overseas students and a new £4 million fund to foster Anglo-Sino university links were announced this week by Chancellor Gordon Brown in a move to “boost higher education exports”.
Mr Brown revealed in the pre-Budget report that £2 million would be spent by the Government in each of the next two years on Anglo-Sino scholarships. These would encourage collaboration between “centres of excellence in science and technology” in the two countries and exchanges between UK academics and their Chinese counterparts. A further £1.3 million in each of the next two years will be spent by the Government on the “marketing and promotion” of UK universities in countries outside the European Union.
25 Personal communication: Beatrice Merrick, Director Services and Research, UKCOSA: The Council for International Education.
Some private English language providers have collectively rescued students isolated by provider failure and in the state sector, government would likely be involved. But there is no mandate for government in any provider fidelity protection.

Registration of providers is seen by UKCOSA as a good first step but there is weak auditing of especially financial strength and the registration process is not seen to eliminate any but the very weakest. The Home Office has closed international education providers but the criteria, standards and legal basis of this seems unclear and inconsistent. Professional development in the UK is managed by providers and offerings by the British Council, attendance at which is voluntary. Research is undertaken by UKCOSA, the British Council, and especially by sector bodies (e.g. universities, Language providers).

UKCOSA was envious of the New Zealand EEL.

### 8.3. Australia

Australia’s export education industry is strong and relatively-well resourced. In May 2003 Hon. Dr Brendan Nelson, Minister for Education, Science and Training announced that $A113 million would be committed to international education initiatives over the next four years.

The relative roles of government are slightly different to New Zealand with, for example, direct involvement of the Department of Education, Science and Training (DEST) in professional development programmes. Australia also has both federal and state layers to this involvement.

Australia Education International (AEI) has a range of functions similar to ENZ, but is a function housed directly within the DEST structure. It is line-funded through Vote Education and DEST.

IDP Education Australia Limited (IDP) is university-owned and, as of early 2006, has offshore offices and activities in 64 locations in 28 countries around the globe.26

Australia places a flat surcharge on student visas to generate funding for the export education industry. The funds do not appear to be ring-fenced.

The nearest equivalent to New Zealand’s EEL is the Education Services for Overseas Students (ESOS) Assurance Fund, which was established by Federal legislation to protect the interests of current and intending overseas students of providers registered on the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS). It ensures students have suitable alternative courses, or have their course monies refunded, if the provider can not provide the course(s) that the student has paid for.

PricewaterhouseCoopers is the appointed Fund Manager under the Act with a range of services and responsibilities directly related to the industry’s fidelity and assurance of the student’s Australian study experience. There is provision in the ESOS Act to raise special levies from the industry.

26 IDP emphasises that not all offices are directly involved in student recruitment and in seven cases recruitment functions have been rationalised to be web-based from Sydney.
All providers registered on CRICOS are required to pay the Annual Registration Charge (ARC) based on the previous year’s enrolment (full and half) total with a $A316.00 base fee and $A27 per full 2005 enrolment. The charge has similar exclusions to the New Zealand EEL. The ARC is exempted from GST.

There is no mission for the ESOS Assurance Fund to address marketing, industry research or professional development. 27

8.4. Ireland

Ireland is aware of developments in the industry in New Zealand. The International Education Board Ireland (IEBI) spoke with some admiration of New Zealand’s Code of Practice for International Students, of Education New Zealand’s role and structure, and of the EEL. 28 The IEBI is currently two-thirds government funded and also by provider subscription. But as the keeper of the planned brand “Education Ireland” 29 it expects maybe half of its income will need to be earned commercially and there are no plans for any levying of the industry. Providers largely attend to their own professional development, research is carried out in a more uncoordinated way and provider fidelity is managed using a system of bonding from like providers. But the latter is not seen as comprehensive or consistent and is thus criticised by IEBI.

The industry is seen as ‘in transition’ but that some of the transition issues have been unresolved for several years. While there is not currently any commitment to a levy like New Zealand’s, consideration is being given to something similar and some feasibility investigation is underway, including recent consultation with individuals in New Zealand and Australia.

8.5. Canada

In Canada there are no levies or taxes exacted on the export education industry at either provincial or federal level. Provincial jurisdiction is seen as relatively strong, though variable, while federal involvement is said to be “more moral than financial.” 30 But growing interest and awareness of the industry’s potential is apparent to the external observer. 31

In 1998 an International Education Marketing Unit (EMU) was created within the Department of Foreign Affairs and International Trade and in May 2004 became part of the new International Trade Canada (ITCan) which was restructured as separate to Foreign Affairs Canada (FAC). Its mandate continues to be to promote of Canadian education and training products, services, and expertise. There is an international education strategy “Education Team Canada” which aims to promote

28 Personal communication: John Lynch, CEO, IEBI.
29 See: http://www.educationireland.ie/
30 Personal communication: Damien Dunne, Director International Partnerships, Canadian Bureau for International Education
31 For example: “International Education Week Receives Substantial Boost From Finance Minister - Ottawa - Canadians celebrating International Education Week welcomed Finance Minister Ralph Goodale’s pledge to invest $150 million over five years to increase international education opportunities…” http://www.cbie.ca/news/index_e.cfm?folder=releases&page=rel_2005-11-17_e

Review of the Export Education Levy
January 2006
Canada’s education system internationally. With a recent change in federal government the structure may revert to the 1998 model.

The EMU works with other federal departments, provincial and territorial governments and marketing agencies, non-governmental organisations and academic and business institutions to advance the Canadian education and training sector internationally. It is charged with managing the ‘Canada’ brand. Its budget is seen as very limited and its influence not nationwide or strong. Tensions are said to exist between provincial, territorial and federal levels with some strong initiatives taken by some provinces and even some very internationally-focused individual providers.

Membership of the Canadian Bureau for International Education consists of government-owned providers and the organisation is subscription and federally funded. International clients of these are seen to be indemnified from failure, though not in law, and the situation has not arisen. The National Association of Career Colleges (NACC) is a private provider network and exacts a quality standard and student protection for those members who voluntarily elect it.

8.6. Expert Comment

Two international analysts in export education who have strong knowledge of New Zealand’s and others’ cases were invited to comment on the Review foci. Only one of these has been able to meet the timeframe imposed on a response, a situation largely caused by the intervention of university leave over Christmas and New Year.

8.6.1. Alan Olsen, Director, Strategy Policy and Research in Education Limited, Hong Kong.

Mr Olsen has worked for New Zealand in an advisory capacity and is familiar with many New Zealand international education policies and initiatives. Mr Olsen reviewed the EEL and finds no issues meriting comment and supports the rationale for the use of the levy and its basis. He points to the Australian model investing substantial federal and state funding into similar purposes. In particular, special income streams such as the industry training levy for all industry provides for professional development for those involved in export education.

Mr Olsen was unaware of other examples of nationally invoked levies on the export education industry.

8.7. Summary of International Comparisons

A review of like countries reveals that only Australia has anything like New Zealand’s EEL. New Zealand is unique in the way it ‘ring-fences’ the funds and transparently applies Levy funding for the direct benefit of the industry.

A number of individuals from other countries expressed admiration in the way in which the Levy was implemented so decisively and few of these overseas countries have the degree of government interest in quality assurance and risk management evident within New Zealand.
9. Issues Requiring Consideration

9.1. Issues within the scope of our review

Throughout the study a number of consistent issues appeared. Those with greatest credibility and/or most worthy of note are discussed below.

9.1.1. Equity and Reserve Levels

Equity in the Levy fund as of 30 June 2005 stands at $2.4m. Interviewees questioned the purpose to which this was being put, especially now a student fee protection regime is in place. The question was raised as to what level of reserves should be appropriate for fidelity or rescue purposes. The need to hedge against the risk of industry downturn was also acknowledged.

Further implications included the significant interest income being generated by these reserves. Respondents were gratified that such income was being retained within the fund, but again questioned its purpose.

More than half of those interviewed questioned whether the building of these reserves did not argue a case for reduction of the Levy rate.

9.1.2. Perceptions in Relation to the Levy

The Export Levy was never a popular innovation. The majority of respondents made the point that the Levy was roundly opposed in initial submissions and some suggested that consultation about the Levy’s introduction was insincere by virtue of its timeframe, scope and depth. For most, the Levy contradicted their viewpoint.

Concerns by some over the Review consultation process, only reinforced their prejudices. Representatives indicated there was no time to consult their constituencies. Some wanted written submissions, some saw the Review brief as far too narrow (and what legislation determined just made the legislation ‘wrong’). Two or three respondents indicated that the response timeframe for the on-line survey was inadequate and that the survey itself was flawed.

The Levy is still seen as an unprecedented, compulsory ‘tax.’ There are wide variations as to the understanding of where the funds are held, spent, prioritised and accounted-for. There is considerable confusion between the ring-fenced purposes of the fund, other MoE, and other government expenditure in international education.

Many, especially State providers and their representatives, were now resigned to and accepting of the Levy. They were often pragmatic about the issue, but did wish to see it used well and for this to be proven.
9.1.3. Accountability & Communication

The most common theme in interviews was the assertion that little was known about how the Levy was spent and even less about how effective that investment was. This view was held between respondents both supportive and unsupportive of the Levy.

A few saw this as appropriate: there was no need for the information. But most expressed a desire to see for themselves where the Levy was being allocated. Their comments on effectiveness were tempered by this relative lack of knowledge. As interviews progressed, respondents were supplied with a ‘backgrounder’ information sheet so that further responses might be informed.

Respondents did not wish to be simply told what priorities had been decided and what projects had been allocated and completed. They wished to see spending decisions illustrated within a wider and strategic context, and for there to be some performance measurement to test effectiveness against. Both wishes are developed below.

It is not that accountability to, and communication with, the industry is absent. There are web and ENews communications, ENZ Conference reports and reference group representatives who may connect with their members. But they compete with the information overload that all suffer and need to be very audience-targeted, highly visual and focus on demonstrable outcomes and applicability.

Upward or ‘vertical’ accountability was perceived to be adequate with ENZ quarterly reporting to the MoE and the MoE to Parliament. But few interviewed had seen the Levy annual report and felt it could be better circulated. Many had been consulted about the Levy rate recently and were pleased to have been so.

The great majority of respondents reacted positively to spending some Levy resources on active communication tools which showed how the Levy was being spent and assessing its effectiveness; not just its completion. The more generous critics recognised that this was a work-in-progress and were pleased to hear of an impending Education New Zealand publication which would inform along these lines. Support was also given to initiatives to proliferate research findings and ways to effect provider responses to the issues highlighted.

**Recommendation: Accountability**

That Levy Payers receive active bulletins and an annual report from ENZ on the purposes to which the Levy is allocated, spent and measured, in a context of strategic goals and objectives.

Education New Zealand is also considering tactics for soliciting greater feedback and engagement within the Levy funded work programme, realising that the cost of this is well justified. The possibility of circulating the proposed work programme each year with a user-friendly, tear-off mailer for comment and suggestions is under consideration.
Education New Zealand places great faith in the ENews as a communication instrument. While its circulation in the industry is wide, some interviewees were unaware of its existence while others confessed to only sporadic attention to its content. It is accepted that such electronic tactics need constant modification and management and that ENZ does this very professionally. But given its criticality, the following is recommended:

**Recommendation: ENews Review**

That ENZ undertake an audit to test readership, readability and effectiveness of ENews as a means to communicate information on Levy expenditure and that a campaign is mounted to ensure that every possible stakeholder is invited to receive the communication.

### 9.1.4. Perceptions versus Reality

Individuals’ perceptions are their reality and to this extent there is much misinformation about the effectiveness of Levy spending based on peoples’ own perceptions. This may, in part, be seen as a failure in communication to Levy-payers by ENZ and by the Levy-payers in failing to access the information available. Both might be easily corrected. It is asserted that the Levy, and government support of export education in general, would be better supported and aligned-with if stakeholders were better informed.

**Note:** The Levy payers seem to think that the annual Levy report submitted by the MoE to parliament should provide more comment on the effectiveness of specific Levy projects. The purpose of this report however is to provide a full account to parliament on the Levy from MoE and communication of the effectiveness of specific Levy projects is made through ENZ).

### 9.1.5. Compliance Costs

Very few respondents made a big issue of compliance costs and seemed to accept the basis by which the Levy was calculated. Some did indicate compliance was yet another cost to their business burden but were aware their international income was data which they needed to measure anyway.

Those providers who had been audited by NZQA for Code of Practice or Levy payment compliance had no specific complaints.

### 9.1.6. Performance Measurement

A common theme in consultation was that current reporting of Levy-funded activity was descriptive rather than analytical. The 2004/05 annual report reports the status of projects as ‘complete’ in many cases and some respondents were constructively critical of this. As noted above the annual Levy report is not the foundation for performance and analysis of the effectiveness of the projects funded by the Levy.
The case was made for project expenditure to be complemented with selected key performance indicators against which the effectiveness of investment could be measured. It was accepted that such monitoring would likely cost money and would net off Levy expenditure. But it was argued that some measurement of effectiveness would be a natural and desirable development in the use of the Fund.

NZTE warned against such measurement getting over-ambitious. An uncomplicated, minimal system of key indicators was argued rather than measurement becoming an end and a large cost in itself.

It is suggested that as projects in each of the four areas managed by ENZ are selected and contracted, attention might be given to the fit with overarching strategy and specific goals as set for reference groups, and that close attention be given to defining the outputs and outcomes expected. The latter should be measured by a few success indicators. Not all of these will be quantitative or measurable but a test of effectiveness would be useful to report to stakeholders just what is expected.

The following is offered as a project template which might be applied to any and all projects. Dummy data have been added to exemplify the approach.

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Media Hosting</th>
<th>Code</th>
<th>F4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type</td>
<td>Generic Marketing</td>
<td>Status</td>
<td>Brief finalised Tenders closed Tender Awarded</td>
</tr>
<tr>
<td>Objective(s)</td>
<td></td>
<td>Timeframe</td>
<td>Feb-March 2006</td>
</tr>
<tr>
<td>Description</td>
<td>Two groups of four media representatives will be hosted in NZ for 8 days each. They will be hosted and informed by professional educator-hosts who have successfully tendered for the role. Interviews, site visits, student testimonials and feature stories will be pre-selected. Features will be submitted to print, radio and TV media in both Thailand and Chile within 90 days of the tour conclusion.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Methods</td>
<td>Media tour planning, functions, interviews, feature stories. Stock photography supplied. Internet connection supplied at every stop</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implemented by</td>
<td>Media Hosts Ltd, Auckland. Tony &amp; Margaret Greathosts 09 987 6543</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Key Performance Indicators</td>
<td>minimum 4 features per country are published within 90 days of tour end. Study enquiry rate on newzealndeducated.com lifts a minimum 5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outputs</td>
<td>Media monitored and a minimum 4 features per country (any media) are published within 90 days of tour end. In each feature 90% of NZ's key selling points as above are covered</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outcomes Realised</td>
<td>tbc</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
9.1.7. Project Selection: Opportunism versus Strategy

Approximately half of those interviewed as representative groups or individual providers had some questions as to the process used by reference groups to target and select projects for funding.

A key theme emerged which indicated a preference for consulting and canvassing the whole industry for needs within a framework of strategic goals. Requests for proposals as ‘good ideas,’ was sometimes criticised as an approach which had delivered some projects of spurious value. It was preferred that goals and needs identified should drive the preparation of briefs and tenders which might then be contested by researchers and PD providers.

It is our impression that this opinion was more common amongst those better qualified or experienced to judge the issue.

Much was made by the private English language industry of their specialness and the need for them to decide and deliver to their own. APPEL were not convinced about the merit of those projects currently selected for funding or the strategic drivers underlying them.

APPEL have provided a formal submission to this Review and make a strong point about the above:

"The pan-industry strategy was intended to provide the direction for levy spending. It was well-intentioned, as it attempted to shift levy expenditure away from the initial areas set by the MoE, towards areas there were valued by the industry. Unfortunately, ENZ declined to hold the final meetings where the group had agreed to prioritise and cost the various strategy items. This meant that the final document gave ENZ a "mandate" to carry out its work, but the document is really just a long wish list. Until the industry can make the trade-offs between competing initiatives and set performance standards for those initiatives, the levy will waste a great deal of industry funds."

9.1.8. Reference Group Dynamics

Comments were freely made and highly varied about the effectiveness of the reference groups. Some saw these as ‘as good a way as any’ to secure the engagement of the subparts of the industry and were satisfied or philosophical about the members’ ability to represent their views.

But issues which arose from some are documented below without any attempt to test their veracity or consensus:

a) **Leadership** – that Chairs were not necessarily qualified or skilled enough to bring together disparate viewpoints and that a divide and rule strategy was apparent whereby ENZ secured what it proposed because the group was short on unanimity.

b) **Agendas** – agendas and papers were delivered to members too late and that members frequently arrived poorly briefed and prepared.
c) **Timekeeping** – some reference group members of some groups are said to display casual attitudes to apologising for non-attendance, arriving late and leaving early for flights or other commitments. Some members are frustrated but silent on these issues.

d) **Membership** – respondents were often unclear as to how membership of reference groups was selected. There was some criticism of multiple membership by individuals.

### 9.2. Issues identified or raised outside of the scope of our review

There were some themes outside the brief of this Review which were consistently raised and are offered for consideration and potential resolution by the MoE.

#### 9.2.1. Consultation Process in Relation to Introduction of the Levy and this Review

Concerns over the consultation process prior to the introduction of the Levy, and the decisions made subsequently, were given in most interviews regardless of them being unsolicited. Some conflicts of interest were suggested by some as being inherent to this Review process with ENZ being involved in the Review. Two or three respondents also made criticism of the short timeframe, timing close to Christmas and the design of the on-line survey.

#### 9.2.2. Code of Practice

One of the purposes to which the Levy fund is put is for the administration and audit of the Code of Practice for the Pastoral Care of International Students (the “Code”).

The Code provides a framework for service delivery by educational providers and their agents to international students. The Code sets out the minimum standards of advice and care that are expected of educational providers with respect to international students. The Code applies to pastoral care and provision of information only, and not to academic standards.

The Code applies to all education providers in New Zealand with international students enrolled. The Code is mandatory to these providers and must be signed by them. The Code requires all institutions to have fair and equitable internal grievance procedures for students which need to be followed before a complaint can be taken any further. If concerns are not resolved by the internal grievance procedures an appeal can be made to the International Education Appeal Authority (“IEAA”). The IEAA will investigate complaints and determine if there has been a breach of the Code. The IEAA has the power to impose sanctions on education providers who have committed a (non-serious) breach of the Code. These sanctions include an order for restitution, publication of the breach, and/or requiring that remedial action be undertaken.

If the breach is a serious breach or a non-serious breach is not remedied, the IEAA will refer the complaint to the Review Panel. The Review Panel can remove or suspend an education provider as a signatory to the Code, meaning that the provider would be prevented from taking any more international students.

---

32 In the 2004/05 year Levy expenditure on the Code amounted to $716,338.
Given that over 20% of Levy funds are channeled into the operation of the Code of Practice for the Pastoral Care of International Students, most interviewees were curious as to why a review did not address this component. This purpose of the Levy was probably the most universally supported and many comments were very positive about the effect the Code had had on quality of provision and as leverage for marketing.

Themes arose in discussion with interviewees who generally insisted on comment:

a) That the Code lacked ‘teeth’ and the ability to sanction those who under-complied.

b) That the Code might best be monitored on a ‘user-pays’ basis.

c) That the Code team lacked boundaries and sometimes strayed into areas beyond their purpose (e.g. marketing, mediation and business case analysis).

d) That compliance with the Code was too easy to ‘fudge’ by insincere providers. Random and salutary checks by NZQA were suggested by one respondent.

e) That attention to hostel requirements would be a welcome expansion of the Code.

f) That often the difficult Code issues were matters of interpretation and that the Code Office inspired confidence in this area.

The veracity of these claims was beyond the review team’s brief to test.

Almost universal support was given to the leadership, fairness and sincerity of the Code Administrator.

From our discussion with the MoE’s Operational Policy Manager who is responsible for managing the Code we understand that providers periodically challenge where the Code funds are being spent. The level of complaints though has diminished substantially from when the Code was initially introduced and the original complaints from providers not wanting to be part of the Code has reduced.

We understand that an evaluation of the Code will be initiated in 2006. It would be useful if this evaluation also considered whether the Code should be administered outside of the MoE. For example, a third party could potentially administer the Code\footnote{During our interviews we queried whether ENZ could potentially undertake this role. Feedback was that such a role would be likely to place ENZ in a position of some conflict as ENZ are an industry body and can’t easily censure their own members.}. This may help to provide for the perceived advantages from the sector’s point of view of the Code being separate from the MoE.

**Recommendation: Administration of the Code**

That an evaluation should be undertaken of whether the Code should continue to be administered by the MoE or whether a third party should be involved in its administration.
The work programme in respect of the Code is currently set by the Code Office within the MoE in consultation with the MoE’s International Division. Providers do not have any input into the work programme. This is an area where we believe that there should be more consultation with the various sector groups or ENZ as this would help to ensure further buy-in to the Code.

**Recommendation: Code Consultation**

That the Code Office consult more with Levy sector groups and ENZ in respect of the work programme for Code related work.

### 9.2.3. Government Support of International Export Education

‘Ringfencing’ has not been understood, or believed, by some. Comments about government support of the industry, outside the use of ‘our’ money, are sometimes erroneous and judgemental. Reference was made by respondents to Levy spending on offshore education counsellors, scholarships and a perceived burgeoning International Division. Such perceptions can be changed by filling an information vacuum with irrefutable information.

Similar confusion exists about what funds address what services provided by Education New Zealand.

**Recommendation: Communicating Government's Commitment to International Export Education**

That the industry be effectively and objectively informed as to the total government commitment to New Zealand’s export education industry including line funding of MoE, New Zealand Trade and Enterprise, the Immigration Service of the Department of Labour, and the Ministry of Foreign Affairs and Trade operations relevant to the industry’s support.
10. Recommendations

A number of recommendations in relation to the operation, administration and effectiveness of the Levy are made throughout this report. The section below outlines these recommendations.

10.1. Operational Recommendations

Recommendation: Levy Reserves

Although the MoE has broad parameters as to the appropriate level of Levy reserves and also monitoring of reserves to ensure that reserves stay within certain levels, there needs to be more specific guidelines put in place in respect of reserve levels.

As part of this we recommend that continued forecasting be undertaken to estimate the level of reserves needed to accommodate the fluctuations in Levy funding.

10.2. Administrative Recommendations

Recommendation: Financial Reporting Obligations

We recommend that the MoE and ENZ continue to meet to discuss the exact nature of financial reporting requirements with respect to the Levy activities so that ENZ clearly understand exactly what they need to report on and why.

We believe that it would also be useful to determine whether there is an alternative to making an appropriation from government which may change the reporting requirements (for example, could the current legislative requirements be placed in the agreement for procurement services between ENZ and the MoE?).

Recommendation: Strengthen Role of ENZ Board

That the Role of the ENZ Board be strengthened by devolving more of the ultimate decision making from the MoE to the Board (for example, determination of final Levy funding allocations to each of the reference groups).
10.3. Effectiveness Recommendations

Recommendation: **Accountability**

That Levy payers receive active bulletins and an annual report from ENZ on the purposes to which the Levy is allocated, spent and measured, in a context of strategic goals and objectives.

Recommendation: **ENews Review**

That ENZ undertake an audit to test readership, readability and effectiveness of ENews as a means to communicate information on Levy expenditure and that a campaign is mounted to ensure that every possible stakeholder is invited to receive the communication.

10.4. Other Recommendations on Issues outside the Scope of Review

Recommendation: **Administration of the Code**

That an evaluation should be undertaken of whether the Code should continue to be administered by the MoE or whether a third party (for example, ENZ) should be involved in its administration.

Recommendation: **Code Consultation**

That the Code Office consult more with Levy sector groups and ENZ in respect of the work programme for Code related work.

Recommendation: **Communicating Government's Commitment to International Export Education**

That the industry be effectively and objectively informed as to the total government commitment to New Zealand’s export education industry including line funding of MoE, New Zealand Trade and Enterprise, the Immigration Service of the Department of Labour, and the Ministry of Foreign Affairs and Trade operations relevant to the industry’s support.
11. Conclusion

There is ample evidence to demonstrate that Levy resources are being applied to support the development of the education export industry.

Measurement of the effectiveness of this support has some room for development. Clear goals, objectives and success indicators are suggested against which initiatives can be evaluated.

Communicating accountability and effectiveness has been professional and proper where services have been contracted.

The Levy-payers are not universally well-informed. There is great variation amongst their opinions as to the validity, management, fairness and application of the Levy. Much can be attributed to the nature of the individuals themselves and their willingness to access information which threatens their prejudices. Some cause for this lies in the effectiveness of the communication as to what is being funded by the Levy, as well as that which is not.

The Crown’s proprietorship, strategic and policy interest in export education make collection by a government agency more appropriate than collection directly by industry bodies. From a practical point of view collection by the MoE is also more efficient and effective. Whether the MoE needs to continue to have a role in aspects of the Levy other than collection, for example, final sign-off of the work programme, needs to be further considered.
Appendices
Appendix One: On-line Survey

Introduction

An on-line survey was distributed via a URL in an ‘e-newsletter’ from Education NZ, during the week of 21 November 2005. The questionnaire was attentioned to all recipients of Education New Zealand's E-News and it was designed to collect the feedback and opinions from the perspective of each respondent organisation. A complete Word version of the actual Zoomerang on-line survey sent out is attached in Appendix One.

The survey was emailed to 2089 individuals from 1248 institutions, made up as follows:

- 58 composite schools;
- 333 Private Training Establishments (including English Language Schools);
- 31 Public Tertiary organisations (ITP’s, Universities and Colleges of Education);
- 814 Secondary and Primary schools; and
- 12 Others (Subsidiary Providers etc).

The initial survey deadline was extended until 7 December 2005 to allow further input following a reminder email issued from Education New Zealand.

Sixty eight responses were received to the survey. Given the low response rate to the on-line survey (3.25%) it should be noted that the views expressed by those that responded do not necessarily reflect the views of the entire industry and therefore the results need to be interpreted taking this into account. The questions have been categorized into the relevant sections relating to the administration, operation or effectiveness of the levy. Graphs and common themes have been presented together with additional relevant comments.

The graph below shows the level of responses from the sub-sector groups and compares this with the proportion of Levy funds contributed by the sub-sector group in 2004/05.
Comments on Interpretation of On-line Survey Results

The Review required that consultation was undertaken with education providers. The on-line survey was designed as one means of providing education providers with the opportunity to have their say on the Levy. The survey was voluntary in nature and the timeframe for completing the survey was quite limiting (that is, there was a short time-frame to provide responses and it was undertaken at a busy time of the year). Sixty eight responses were received (3% response rate).

The nature of a voluntary survey necessarily means that those providers who have strong views on the Levy are the most likely to respond. We noted that some of the comments seemed particularly inflammatory as well as a number being based on mis-information. The results of the on-line survey therefore need to be considered in this context and they are therefore unlikely to be representative of the views of the entire industry.

The responses from sub-sector groups came predominantly from secondary schools, PTEs and Polytechnics with universities being greatly underrepresented (this indicates a low level of interest in participating in this form of dialogue from the main Levy payers). The response rate and the limited profile of respondents is hardly acceptable or valid for distilling significant findings. However, they have illustrated a strength of feeling and some polarisation of views which are, in themselves, instructive. It was noted there were a large number of comments on the merits of the levy which was outside the scope of our Review.

The results and analysis of the on-line survey are discussed in the relevant sections of this report relating to operation, administration and effectiveness.
General Comments on the Levy

Survey question 22: Do you have any other comments in relation to the administration, operation or effectiveness of the levy?34

General Themes

• While there were several positive comments about the Levy, the majority of survey responses were strongly worded and negative towards the Levy. Respondents were against the use of Levy funds to pay out students after provider collapses and commented on the lack of Levy funds spent in regional areas.

• Some respondents noted that if there had been an increase in the number of students or that if the amount collected and the costs of collection were reduced that they would be more accepting of the Levy.

• Respondents made strong note of their disapproval of the collaboration between the MoE and Education New Zealand on the design of the Review and the consequent selection of tenderers and the lack of industry consultation in the planning phase of the review35.

• Interviews with APPEL reiterated their general position of being opposed to the Levy.

Specific Comments

• “I don't think it should be used to pay out students affected by the collapse of their PTE - after all, each PTE is required to have adequate student fee protections systems in place.”

• “Spend more in the regions, with individual responsibility devolved to the institutions; after all it’s not government money.”

• “I would only accept an increase in the levy if we have an increase in the number of students coming to NZ and to our school. The drop off has had a significant and negative impact on our schools operation. We would like to do our own marketing but the drop off makes this harder.”

• “Change in structure of Education NZ Board has skewed representation in favour of the public sector at the expense of private sector representation.”

• “Quality assurance costs should be charged on a user-pays basis so that poorer performers pay more. Professional development should not be funded out of the levy unless there is a serious gap in provision by existing trainers. We acknowledge the major drop in resources for this area, but it could drop further. We acknowledge the industry-driven change to the terms of reference for this group. Promotional funding should be largely driven by what providers will

34 Given the low response rate to the on-line survey (3.25%) it should be noted that the views expressed by those that responded do not necessarily reflect the views of the entire industry.

35 We note that ENZ are involved as a member of the Review steering committee as they are the lead industry body involved with the operation and administration of the Levy. ENZ were not involved in designing the Review.
fund voluntarily, because otherwise funds will be captured for unnecessary activities. We are concerned that the promotion budget has increased substantially with no consultation whatsoever. The spending in this area is captured by government agencies and Education New Zealand.”

- “Keep up the efforts seen so far plus more please.”

**Operational questions from the on-line survey**

**Survey question 6: The costs of complying with the collection of the levy for your organisation are**[^36]:

![Cost of compliance](image)

- The majority of respondents from secondary schools and polytechnics selected 2 or 3. In contrast, the majority of respondents from PTE’s selected 5 and thought that the costs of compliance were significant.

**Survey question 7: Do you have any general comments on the collection of the levy**[^37]:

**General Themes**

- Respondents commented on the cost of administering the Levy, both in relation to the collection costs and the administrative costs within each respondent’s organisation.

[^36]: Given the low response rate to the on-line survey (3.25%) it should be noted that the views expressed by those that responded do not necessarily reflect the views of the entire industry.

[^37]: Given the low response rate to the on-line survey (3.25%) it should be noted that the views expressed by those that responded do not necessarily reflect the views of the entire industry.
• Respondents mentioned having difficulty understanding how the Levy amount they had to pay was calculated.

• Respondents saw little or no return from the Levy, especially in relation to bringing in extra students and some respondents commented that they would like the Levy to be abolished.

• While respondents noted that the collection process was very efficient, many noted that it was overly efficient, for example reminder emails are issued when payment is one day late.

Specific Comments

• “Having to claw back the levy from the tuition fee charged to students overstates the amount of the real tuition being charged.”

• “I find it interesting that if we are a day late we receive emails to remind we need to pay.”

• ‘I’m amazed that it has cost $100,000 just to collect it.’

Administrative questions from the on-line survey

Survey question 5: Do you believe you, or your provider organisation, are adequately consulted about the level of levy imposed? (Note: Legislation makes this level able to be adjusted)38

![Level of consultation chart]

• The majority of respondents did not feel that they were adequately consulted about the level of Levy imposed.

38 Given the low response rate to the on-line survey (3.25%) it should be noted that the views expressed by those that responded do not necessarily reflect the views of the entire industry.
Survey question 8: Do you receive sufficient information about the operation of the fund and your obligations in relation to the fund?39

Responses were spread across all answer options for the three majority sector respondents.

39 Given the low response rate to the on-line survey (3.25%) it should be noted that the views expressed by those that responded do not necessarily reflect the views of the entire industry.
Survey question 9: Has your organisation been involved in submitting proposals in respect of the use of levy funds?40

- The majority of respondents had not been involved in submitting a proposal in respect of the use of Levy funds.

---

40 Given the low response rate to the on-line survey (3.25%) it should be noted that the views expressed by those that responded do not necessarily reflect the views of the entire industry.
Survey question 10: If you answered yes to question 9, how have you found the proposal submission and response process?\textsuperscript{41}

![Bar Chart: Satisfaction with proposal submission and response process]

- Only 5 additional comments were made in relation to respondents’ satisfaction with the proposal submission and response process. All responses were strongly negative about the process.

Survey question 11: How well do you understand the process used for allocating levy funds to the various authorised work programmes?\textsuperscript{42}

![Bar Chart: Understanding of allocation of levy funds]

\textsuperscript{41} Given the low response rate to the on-line survey (3.25%) it should be noted that the views expressed by those that responded do not necessarily reflect the views of the entire industry.

\textsuperscript{42} Given the low response rate to the on-line survey (3.25%) it should be noted that the views expressed by those that responded do not necessarily reflect the views of the entire industry.
The majority of respondents from both Secondary schools, Polytechnics and Private Training Establishments responded that the process used for allocating levy funds to the various authorised work programmes was not well understood.

Survey question 12: Do you have any concerns about the allocation process?43

General Themes

- While some respondents did not have any concerns, or were unsure, the majority of responses indicated dissatisfaction with where levy funds were spent and the lack of channels for input into the allocation process.

- Respondents indicated that they want more accountability for performance, including assessment of prior projects, greater consultation and more transparency in the financial reporting.

Specific Comments

- “Three years into the operation of the levy, we have yet to see a clearly articulated set of goals for the levy and a strategy for achieving them.”

- “Yes. When Carich closed down money was taken from the levy to reimburse students – this is not what the levy was intended for. If it is going to be used for this purpose why have student fee protection? I believe good schools are subsidizing bad schools.”

- “Research should only be funded where there is a real industry need for research, not just because a budget has been set aside for it.”

From our interviews with the MoE and ENZ we understand that although work plans do get signed off on an annual basis that these are traced back to the industry strategic plan and that these work plans are now being looked at on a longer term horizon that just one year.

Survey question 13: Would you like more information about the process?44

- Approximately half the respondents do not want information about the process with the remainder of respondents wanting more information, but for that information to be succinct, easy to read, transparent and impartial.

---

43 Given the low response rate to the on-line survey (3.25%) it should be noted that the views expressed by those that responded do not necessarily reflect the views of the entire industry.

44 Given the low response rate to the on-line survey (3.25%) it should be noted that the views expressed by those that responded do not necessarily reflect the views of the entire industry.
**Survey question 14: Would you like to see more levy funds applied to...?**

Out of the choices given, marketing was the category that most respondents wanted to see more Levy funds applied to followed by professional and institutional development, administration of the Code, and reimbursement of students.

**Actual response statistics from Zoomerang on-line survey**

<table>
<thead>
<tr>
<th>The top percentage indicates total respondent ratio; the bottom number represents actual number of respondents selecting the option</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Professional and institutional development</td>
<td>17%</td>
<td>15%</td>
<td>20%</td>
<td>17%</td>
<td>5%</td>
<td>10%</td>
<td>5%</td>
<td>10%</td>
<td>1%</td>
</tr>
<tr>
<td>2. Marketing</td>
<td>50%</td>
<td>18%</td>
<td>7%</td>
<td>9%</td>
<td>2%</td>
<td>0%</td>
<td>7%</td>
<td>5%</td>
<td>2%</td>
</tr>
<tr>
<td>3. Implementation of scholarship schemes</td>
<td>8%</td>
<td>10%</td>
<td>13%</td>
<td>13%</td>
<td>10%</td>
<td>13%</td>
<td>21%</td>
<td>3%</td>
<td>10%</td>
</tr>
<tr>
<td>4. Research and resource development</td>
<td>5%</td>
<td>15%</td>
<td>13%</td>
<td>18%</td>
<td>15%</td>
<td>23%</td>
<td>5%</td>
<td>8%</td>
<td>0%</td>
</tr>
<tr>
<td>5. Support (financial or otherwise) of other bodies engaged in the development,</td>
<td>8%</td>
<td>15%</td>
<td>13%</td>
<td>8%</td>
<td>21%</td>
<td>6%</td>
<td>17%</td>
<td>10%</td>
<td>2%</td>
</tr>
</tbody>
</table>

There were a number of comments by respondents that they were unhappy with this question in that they had to make a forced choice as to the options for Levy Funding. Given the low response rate to the on-line survey (3.25%) it should be noted that the views expressed by those that responded do not necessarily reflect the views of the entire industry.
### Promotion, or Quality Assurance of the Export Education Sector

<table>
<thead>
<tr>
<th></th>
<th>4</th>
<th>7</th>
<th>6</th>
<th>4</th>
<th>10</th>
<th>3</th>
<th>8</th>
<th>5</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>6. The administration and audit of the Code of practice</td>
<td>11% 5</td>
<td>15% 7</td>
<td>15% 7</td>
<td>17% 8</td>
<td>13% 6</td>
<td>11% 5</td>
<td>9% 4</td>
<td>6% 3</td>
<td>4% 2</td>
</tr>
<tr>
<td>7. The general administration of the levy and associated purposes</td>
<td>0% 0</td>
<td>2% 1</td>
<td>2% 1</td>
<td>7% 3</td>
<td>7% 3</td>
<td>19% 6</td>
<td>17% 7</td>
<td>19% 8</td>
<td>21% 9</td>
</tr>
<tr>
<td>8. Reimbursement of students affected by the collapse of their private training establishment(s)</td>
<td>10% 5</td>
<td>6% 3</td>
<td>6% 3</td>
<td>2% 1</td>
<td>12% 6</td>
<td>8% 4</td>
<td>10% 5</td>
<td>29% 14</td>
<td>22% 11</td>
</tr>
<tr>
<td>9. Other</td>
<td>13% 3</td>
<td>6% 2</td>
<td>0% 0</td>
<td>4% 1</td>
<td>13% 3</td>
<td>8% 2</td>
<td>0% 0</td>
<td>4% 1</td>
<td>50% 12</td>
</tr>
</tbody>
</table>
Survey question 17: Do you feel your views are adequately represented by the sectoral representatives on various reference groups?\textsuperscript{46}

![Adequate representation by sector](image)

- Two-thirds of respondents did not feel that their views were adequately represented by the sectoral representatives on various reference groups.

Survey question 18: Do you feel there is adequate accountability to Levy payers for expenditure of levy funds?\textsuperscript{47}

![Accountability to levy payers for expenditure of funds](image)

\textsuperscript{46} Given the low response rate to the on-line survey (3.25%) it should be noted that the views expressed by those that responded do not necessarily reflect the views of the entire industry.

\textsuperscript{47} Given the low response rate to the on-line survey (3.25%) it should be noted that the views expressed by those that responded do not necessarily reflect the views of the entire industry.
General Themes

- The general tone of responses to the representation and accountability questions in the online survey was largely negative, with several respondents replying that there was little accountability and that there was a sense that expenditure on Levy projects was pre-determined. However, this general tone needs to be viewed in the context that only 3.25% of the industry responded to the on-line survey, and therefore it should be noted that the views expressed do not necessarily reflect the views of the wider industry.

Specific Comments

- “Lack of evaluation, no formal review programme.”

- “Our concern is based on the legislative requirement for the MoE to undertake the review in consultation with providers. We feel that this should include the planning phase. The MoE has already set out a proposed scope for the review and used that to seek expressions of interest to carry out the review. These actions prejudice the outcome of the review. Including Education New Zealand in the process does not mean that providers have been involved. ENZ is not a provider and is actually the largest beneficiary of levy funds. There is a clear conflict of interest in having them plan a review of a levy that provides them with their core funding. We believe that the MoE should put the project on hold so that the scope can be consulted upon with providers. We also suggest that Education New Zealand should have no role whatsoever in planning or managing the projects.”

The above comment needs to be put in the context of the requirements of this review. The Terms of Reference are determined by legislation. These requirements are that the Minister of Education needs to “undertake, in consultation with providers, a review of the operation, administration, and effectiveness of the export education levy.”

48 Section 238I(5) of the Act.
Effectiveness questions from the on-line survey

Survey question 4: To what extent do you support the collection of a compulsory levy as an effective means of providing for export education industry-wide investment in development, promotion, quality assurance and research?49

![Support for the levy chart]

General Themes

- The majority of responses to this question were against the Levy, stating that it was set up undemocratically, and that the government should be funding levy expenditure through existing taxes.

- A couple of respondents support the idea of the Levy, but oppose the amount collected and are disillusioned by the lack of evidence of increase in additional students as a result of Levy expenditure.

- PTE’s were mainly opposed to the Levy, polytechnics mainly supported the Levy and the answers were varied for secondary schools.

Specific Comments

- “I have been on reference groups charged with allocating funding and have yet to see a truly worthwhile project funded.”

---

49 Given the low response rate to the on-line survey (3.25%) it should be noted that the views expressed by those that responded do not necessarily reflect the views of the entire industry.
• “The levy is a targeted tax on providers that does not take into account the fact that hosting international students has financial benefits for the wider community, and therefore responsibility for international students should be shared. Providers should not be made to pay for the errors of NZQA in registering problematic providers.”

• “Can see no reason why the industry should be taxed for a benefit which other industries gain through governmental support.”

• “Should be Government funded.”

• “As tax payers we provide in a number of ways for the generic promotion of NZ. Businesses contribute to this through company tax. Why should private enterprise be further taxed for generic promotion? Development, quality assurance and research the players deem important could be done through player associations and funded directly.”

• “The levy was opposed by over 50% of the industry. ENZ and the Minister know this. The key issue is that ENZ purports to be the peak body for English schools and it is not.”

• “Within reasonable financial limits, with a maximum cap.”

• “I would support this more if some evidence was available to show how this helps our institution.”
Survey question 15: To what extent do you believe the levy has assisted with the development, generic promotion and quality assurance of the export education sector?50

General Themes

- The majority of additional comments made here were negative, with many opposed to having to rank where they would like to see funds spent, out of the options given in Question 14.
- PTE’s mainly believed that the extent of assistance provided by the levy was weak. Polytechnics mainly believed that the extent of assistance was strong and secondary schools were neutral on this question.

Specific Comments

- “There seems to be little evidence that it has made any difference in the high school market.”
- “This has benefited the university sector very little so far.”
- “ENZ has worked well in generic promotion but now we must try to move away from one size fits all when looking at overseas markets and to be driven by the individual market, not by NZ institutions looking for cash cows.”

50 Given the low response rate to the on-line survey (3.25%) it should be noted that the views expressed by those that responded do not necessarily reflect the views of the entire industry.
“I do not believe that Levy funds should be used to refund students affected by collapse of PTEs. These institutions should hold insurance to cover such eventualities.”

“Public institutions have been supported to the detriment of private establishments.”

Survey question 16: Do you feel that levy funds are being used effectively in respect of the Pastoral Care Code of Practice?\(^{51}\)

![Pie chart showing opinions on effective use of levy funds in respect of the Pastoral Care Code of Practice]

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>34</td>
<td>66</td>
</tr>
</tbody>
</table>

General Themes

- Many respondents were unsure what the Levy funds were spent on in respect to the Pastoral Care Code of Practice with many believing that the Government or individual institutions should be responsible for Pastoral care.

- The majority of PTE’s and Polytechnics answered this question in the negative and Secondary school responses were evenly split between Yes and No.

Specific Comments

- “User pays would be more effective.”

- “There is a lot of information but it appears we still have to pay for access for this information - even as a signatory to the Code. There does not appear to be regular updates or work sessions to ensure that institutions are maintaining compliance to the guidelines of the Code. There are a lot of institutions still uncertain whether their activities are compliant or not and

\(^{51}\) Given the low response rate to the on-line survey (3.25%) it should be noted that the views expressed by those that responded do not necessarily reflect the views of the entire industry.
regular information sessions supported by levy funds can ensure quality assurance is maintained to minimum standards”

- “Once again, the institution should be responsible for effective pastoral care practices.”
- “Excess funds should be returned to payees.”
- “Where is the evidence that the COP has helped a single student? What we do know is that the increase in fees in high schools to comply with the Code in conjunction with a high currency has driven the students off to Australia.”
- “I would like to see a standard form produced for all areas of Pastoral Care Code of Practice. I would also like to see some of the levy used to subsidise NCEA costs as in the Code it says that we must treat Int. students the same as domestic students.”

Survey question 19: The timeliness of feedback/reporting you receive in relation to levy spending is:\[52:\]

<table>
<thead>
<tr>
<th>Percentage of responses</th>
<th>Percentage of responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Not timely</td>
<td>40</td>
</tr>
<tr>
<td>2</td>
<td>30</td>
</tr>
<tr>
<td>3</td>
<td>20</td>
</tr>
<tr>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>5 Appropriate</td>
<td>0</td>
</tr>
</tbody>
</table>

52 Given the low response rate to the on-line survey (3.25%) it should be noted that the views expressed by those that responded do not necessarily reflect the views of the entire industry.

Review of the Export Education Levy
January 2006

72
Survey question 20: The relevance of feedback/reporting you receive in relation to levy spending is:\(^{53}\):

- The majority of PTE and Secondary school responses illustrate that these sector groups find the feedback irrelevant. The responses from Polytechnics were more evenly spread.

\(^{53}\) Given the low response rate to the on-line survey (3.25%) it should be noted that the views expressed by those that responded do not necessarily reflect the views of the entire industry.
Survey question 21: Would you like more information about the outcomes from the work programmes supported by the levy?54

Request for more information about programmes supported by the levy

Yes 61%
No 39%

General Themes

- Respondents generally noted that they would like more detail on where and how the fund was spent and for this detail to be presented in a simple, concise, relevant and timely manner. (One respondent was happy with the details published on the ENZ website.)
- Respondents that do not support the levy also do not support the work programmes.
- All Polytechnic respondents (5) and the majority of Secondary School respondents would like more information, whereas only half of the PTE respondents would like more information.

Specific Comments

- “Regular, simple to access, timely and relevant information.”
- “The evaluation processes must be robust and not there to protect an interest. All evaluation forms must show from which sector and at what level the evaluation is coming from and to be recorded accurately in feedback evaluation.”

54 Given the low response rate to the on-line survey (3.25%) it should be noted that the views expressed by those that responded do not necessarily reflect the views of the entire industry.
Questionnaire

Export Education Levy Questionnaire
The MoE, in partnership with the Education New Zealand Trust, has commissioned this survey and review in order to meet the Minister of Education’s legislative obligation.

Review Objective

The objective of this review is to prepare a report in consultation with providers on the following dimensions of the levy:
• Operation including efficient assessment, collection and administration of the levy trust account,
• Administration including the process for allocation of funds to projects that contribute to the goals of the levy,
• Effectiveness including whether funded projects are achieving the intended purposes.

The outcomes of this review will inform a report to the Minister of Education in early 2006.

Confidentiality

Deloitte will undertake the processing of responses independently of the MoE and Education New Zealand Trust and report back only aggregated findings. Your individual responses will not be released, ensuring your anonymity is guaranteed and that your responses are treated in a confidential manner.

Questions and Support

The survey will take approximately 10 minutes to complete and consists of 22 easily answered questions. Please answer all questions, and from your organisation’s perspective.
If for any question, no option exactly matches your views or situation, please choose the option that is the closest match. If the question is not applicable to your organisation, please select that option.

If you have any questions concerning this questionnaire please contact Tim Richards from Deloitte at DDI: (04) 470 3697, Email timrichards@deloitte.co.nz. Alternatively, please contact Jo Lipscombe from Deloitte at DDI: (04) 470 3522, Email jolipscombe@deloitte.co.nz.

Thank you for taking the time to complete this questionnaire, your participation is greatly appreciated. Please complete your survey as soon as possible. To meet our review timelines, we need to have all responses in by 30 November 2005.
Export Education Levy Questionnaire

Questions marked with an asterisk (*) are mandatory.

Informed Consent

Please review the following declaration and sign as appropriate.

I have read the information pertaining to the Export Education Review and understand the intent and objectives. I understand I can ask questions of the reviewers before responding to any questions and I am free to request further information at any stage. I understand that:

1. My participation in the Export Education Levy Review is entirely voluntary;

2. The data will be destroyed at the conclusion of the review but any raw data on which the results of the review depend will be retained in secure storage for five years, after which it will be destroyed;

3. This project involves an online survey. Some participants may be asked to participate in more detailed interviews;

4. My anonymity will be preserved in any publication of results.

1

*I agree to take part in the Export Education Levy Review questionnaire

[YES]  [NO]

2

*Please enter your details below

Name of participant
Job title
Organisation name
Phone
Email

3

What sub-sector group do you belong to?

- Primary school
To what extent do you support the collection of a compulsory levy as an effective means of providing for export education industry-wide investment in development, promotion, quality assurance and research?

1. Unsupportive
2.
3.
4.
5. Full support

Collection of a compulsory levy

1  2  3  4  5

Comment if desired

---

Do you believe you, or your provider organisation, are adequately consulted about the level of levy imposed? (Note: Legislation makes this level able to be adjusted)

Not consulted at all

Consulted as appropriate
6. The costs of complying with the collection of the levy for your organisation are:

- Insignificant
- Significant

7. Do you have any general comments on the collection of the levy?

- YES
- NO

If yes, please elaborate below:

8. Do you receive sufficient information about the operation of the fund and your obligations in relation to the fund?

- Insufficient information
- Appropriate information

9. Has your organisation been involved in submitting proposals in respect of the use of levy funds?

- Yes - Please answer question 10
- No - Please go to question 11
Don't know - Please go to question 11

10
If you answered yes to question 9, how have you found the proposal submission and response process?

1 Poor  2  3  4  5 Excellent

Proposal submission and response process

Comment if desired

11
How well do you understand the process used for allocating levy funds to the various authorised work programmes?

Not well understood  Very familiar

1  2  3  4  5

12
Do you have any concerns about the allocation process?

13
Would you like more information about the process?
In order of priority, you would like to see more levy funds applied to …?
(Please rank each item selected where 1 is first priority. Use each priority rank only once.)

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Professional and institutional development
- Marketing
- Implementation of scholarship schemes
- Research and resource development
- Support (financial or otherwise) of other bodies engaged in the development, promotion, or quality assurance of the export education sector
- The administration and audit of the Code of practice
- The general administration of the levy and associated purposes
- Reimbursement of students affected by the collapse of their private training establishment(s)
- Other
15 To what extent do you believe the levy has assisted with the development, generic promotion and quality assurance of the export education sector?

<table>
<thead>
<tr>
<th>Weak assistance</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Strong assistance</th>
</tr>
</thead>
</table>

Extent of assistance

1 2 3 4 5

Comment if desired

16 Do you feel that levy funds are being used effectively in respect of the Pastoral Care Code of Practice?

YES  NO

If no, please elaborate below

17 Do you feel your views are adequately represented by the sectoral representatives on various reference groups?

YES  NO

18 Do you feel there is adequate accountability to Levy payers for expenditure of levy funds?

YES  NO

Comment if desired
19  The timeliness of feedback / reporting you receive in relation to levy spending is:

<table>
<thead>
<tr>
<th>Not timely</th>
<th>Appropriate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td></td>
</tr>
</tbody>
</table>

20  The relevance of feedback / reporting you receive in relation to levy spending is:

<table>
<thead>
<tr>
<th>Not relevant</th>
<th>Appropriate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td></td>
</tr>
</tbody>
</table>

21  Would you like more information about the outcomes from the work programmes supported by the levy?

**YES**  **NO**

If yes, please elaborate below

22  Do you have any other comments in relation to the administration, operation or effectiveness of the levy?
Please print your responses if you would like a copy of your completed questionnaire.
## Appendix Two: Interview List

<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Organisation</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neil Scotts/Brett Parker</td>
<td>MoE</td>
<td>Senior Manager, International Division Senior Policy analyst - International division</td>
</tr>
<tr>
<td>Ron Ross</td>
<td>MoE</td>
<td>Levies administrator, Finance</td>
</tr>
<tr>
<td>Dave Burrage</td>
<td>MoE</td>
<td>Levies Manager, Finance</td>
</tr>
<tr>
<td>Jim Matheson</td>
<td>MoE</td>
<td>Operational Policy Manager, National Operations</td>
</tr>
<tr>
<td>John Scott</td>
<td>The Treasury</td>
<td>Involved in initial set up of the Export Education Levy</td>
</tr>
<tr>
<td>Robert Stevens</td>
<td>Education NZ</td>
<td>CEO</td>
</tr>
<tr>
<td>Deryk Holland</td>
<td>Education NZ</td>
<td>Contracts Manager Reference Groups</td>
</tr>
<tr>
<td>Glennys Gwynne</td>
<td>Education NZ</td>
<td>Finance Manager</td>
</tr>
<tr>
<td>Lindsay Taiaroa</td>
<td>New Zealand Vice Chancellors' Committee</td>
<td>Executive Director</td>
</tr>
<tr>
<td>Jim Doyle</td>
<td>Institutes of Technology and Polytechnics of New Zealand</td>
<td>Executive Director</td>
</tr>
<tr>
<td>Colin Davies</td>
<td>NZ School Trustees Association</td>
<td>Manager, Service Delivery</td>
</tr>
<tr>
<td>Pat Lynch</td>
<td>Association of Proprietors of Integrated Schools</td>
<td>CEO</td>
</tr>
<tr>
<td>Colin Tarr</td>
<td>NZ Educational Institute</td>
<td>President</td>
</tr>
<tr>
<td>Ros Robson</td>
<td>Secondary Principals Association of NZ</td>
<td>President</td>
</tr>
<tr>
<td>Joy Quigley</td>
<td>Independent Schools of NZ</td>
<td>Executive Director</td>
</tr>
<tr>
<td>Pat Newman</td>
<td>NZ Principals’ Foundation</td>
<td>President</td>
</tr>
<tr>
<td>Chuck Wareham</td>
<td>NZ Association of Private Education providers</td>
<td>President</td>
</tr>
<tr>
<td>Frances Woolcot</td>
<td>Association of Private Providers of English Language (including English New Zealand)</td>
<td>Chair</td>
</tr>
<tr>
<td>Andrea Pala</td>
<td></td>
<td>APPEL Executive member</td>
</tr>
<tr>
<td>Patrick Ibbertson</td>
<td></td>
<td>APPEL Executive member</td>
</tr>
<tr>
<td>Barbara Takase</td>
<td></td>
<td>APPEL Executive member</td>
</tr>
<tr>
<td>Interviewee</td>
<td>Organisation</td>
<td>Position</td>
</tr>
<tr>
<td>-------------------</td>
<td>-----------------------------------------------</td>
<td>-----------------------------------------</td>
</tr>
<tr>
<td>Dave Guerin</td>
<td>Independent Tertiary Institutions/Research Reference Group/APPEL</td>
<td>Executive Director ITI</td>
</tr>
<tr>
<td>Darren Conway</td>
<td>Languages International Limited</td>
<td>Chief Executive</td>
</tr>
<tr>
<td>Tricia Reade</td>
<td>QA Reference Group, Manukau Institute of Technology</td>
<td>Chair, Director, International Centre</td>
</tr>
<tr>
<td>John Patrick</td>
<td>University of Otago</td>
<td>Chief Operating Officer</td>
</tr>
<tr>
<td>Tim Fowler</td>
<td>Victoria University</td>
<td>International Director</td>
</tr>
<tr>
<td>Margaret Pierson</td>
<td>CPIT</td>
<td>International Director</td>
</tr>
<tr>
<td>Andrew Holloway</td>
<td>University of Auckland</td>
<td>International Director</td>
</tr>
<tr>
<td>Les Brighton</td>
<td>University of Canterbury</td>
<td>International Director</td>
</tr>
<tr>
<td>Alan Olsen</td>
<td>Strategy, Policy and Research in Education Limited</td>
<td>Director</td>
</tr>
<tr>
<td>Dr Chris Ziguras</td>
<td>Globalism Institute, RMIT University.</td>
<td>Director</td>
</tr>
<tr>
<td>Ian King/ Richard Kensington</td>
<td>Academic Colleges Group</td>
<td>CEO/Academic Registrar</td>
</tr>
<tr>
<td>Alan Koziarski</td>
<td>New Zealand Trade and Enterprise</td>
<td>Sector Director, Education</td>
</tr>
<tr>
<td>John Lynch</td>
<td>International Education Board Ireland</td>
<td>Chief Executive</td>
</tr>
<tr>
<td>Beatrice Merrick</td>
<td>UKCOSA The Council for International Education.</td>
<td>Director Service and Research</td>
</tr>
<tr>
<td>Damien Dunne,</td>
<td>Canadian Bureau for International Education</td>
<td>Director International Partnerships</td>
</tr>
</tbody>
</table>
## Appendix Three: Documents Reviewed

<table>
<thead>
<tr>
<th>Author/Sponsor</th>
<th>Title and Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source</td>
<td>Title</td>
</tr>
<tr>
<td>-----------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>MoE. (2004).</td>
<td>Variation to Contract between Education New Zealand and The Secretary for Education.</td>
</tr>
<tr>
<td>Office of the Minister of Education. (2002).</td>
<td>Document on the Implementation of Export Education Levy to the Chair of the Social Development Committee</td>
</tr>
</tbody>
</table>
Appendix Four: Glossary

APPEL - Association of Private Providers of English Language

CLA – Commodity Levies Act 1990

COP/The Code – Code of Practice for the Pastoral Care of International Students

EEL – Education Export Levy

Eng NZ – English New Zealand

ENZ – Education New Zealand Trust

FFP – Foreign Fee Paying

Free Rider – A ‘free-rider’ issue arises where some individuals or bodies can receive benefits from the activities or investments of others without paying for them, thereby discouraging others from investing time or money in the activities.

IEAA – International Education Appeal Authority

ITP – Institutes of Technology and Polytechnics

MoE – Ministry of Education

NCEA – National Certificate of Educational Achievement

NZIEMN – New Zealand International Education Marketing Network

NZQA – New Zealand Qualifications Authority

NZVCC – New Zealand Vice-Chancellors’ Committee

NZTE – New Zealand Trade and Enterprise

PMC – Promotions Management Committee

PMG – Promotions Reference Group

PTE – Private Training Establishment

RTO – Regional Tourism Organisation

The Levy – The Export Education Levy

The Review – The review of the Export Education Levy
Appendix Five: Process Documentation

**COLLECTION PROCESS**

**Integrated & Private Schools**
- Schools receive tuition fees from foreign fee-paying students studying in New Zealand

**Tertiary Providers that receive government subsidies**
- Institutions receive tuition fees from foreign fee-paying students studying in New Zealand
- Levy funds are transferred to the levy fund account
- The levy is calculated using data submitted in the Single Data Return (SDR)
- The levy is paid as a statutory obligation
- Direct debits are processed 10 days after the due-date for the SDI.
- Annual report prepared by the Ministry of Education and presented to Parliament
- Refund credited in Operations Grant Intrustment

**Private Training Establishments that do not receive government subsidies**
- PTE’s receive tuition fees from foreign fee-paying students studying in NZ
- Levy funds are transferred to the levy fund account
- The levy is calculated using data submitted in the Single Data Return (SDR)
- The levy is paid as a statutory obligation
- Direct debits are processed 10 days after the due-date for the SDI.
- Annual report prepared by the Ministry of Education and presented to Parliament
- Refund credited in Operations Grant Intrustment

**MINISTRY OF EDUCATION OBSERVATION COMMITTEE**
- The levy is deducted from school operations funding instrument at July based on the number of foreign fee-paying students recorded in March 1 return. Additional students on the roll are deducted in October.
- The levy is calculated using data submitted in the Single Data Return (SDR)
- The levy is paid as a statutory obligation
- Direct debits are processed 10 days after the due-date for the SDI.
- Annual report prepared by the Ministry of Education and presented to Parliament
- Refund credited in Operations Grant Intrustment

**ADMINISTRATOR**
- Administrator phones outstanding debitors
- Administrators are given 30 days to pay. Failure to comply within 30 days may result in the provider being Code of Practice status & debt collectors/suits being used.

**OUTPUT**
- Information recorded electronically at Ministry of Education (MYOE)
- Annual report prepared by the Ministry of Education and presented to Parliament
- Refund credited in Operations Grant Intrustment
- Annual report prepared by the Ministry of Education and presented to Parliament

**TOOLKIT**
- Stata schools the EEL Deduction from the International Student Levy that they are required to pay
- Ernst & Young conducts an external audit of specific schools
- MfE always committee invoices monthly and review EEL Balance Sheet and Profit and Loss Statement
- The website page calculates the levy and GST. Pay online, or via bank transfer
- Annual report prepared by the Ministry of Education and presented to Parliament
- Information recorded electronically at Ministry of Education (MYOE)
SELECTION OF PROJECTS FOR WORK PROGRAMME

Contract with Ministry of Education

Annual work programme goes to the Ministry in July for approval

Providers have no right of challenge to the work programme

Agree with programme

Contact and resolve

Levy Contract is signed (incl a payment schedule)

Agree

NO

Contact and resolve

ENZ invoices MoE based on the payment schedule

ANYTHING LESS THAN $5,000 IN PROMOTIONS IS NOT CONTESTED

Agree

Project is budgeted and included in annual work programme

Request for proposal issued

Anything less than $5,000 in promotions is not contested

ENZ invoices MoE based on the payment schedule

MoE pays ENZ per invoice

Projects proposed by Reference Groups or received directly from providers

Proposed projects reviewed by reference groups (with reference to overall strategy)

Agree with project

NO

Project is shelved / discarded

Projects are implemented in the second half of the year

Agree

YES
SELECTION OF CONTRACTS – TENDER PANEL

Inputs:
- Request for Proposal issued

Tender Panel:
- Tender panel scores the tenders against relevant criteria on a standard government based scoring sheet relating to the RFP criteria
- Tenders short listed (approximately 3)
- If there is a large response to the RFP a letter to shortlist will be sent

Evaluation Selection Panel:
- Short listed tenders are recommended to reference group members

Output:
- Tender accepted, successful tenderor advised
- There are usually two meetings, the first is to provide and discuss information and the second is to select a tenderer
- Unsuccessful tenders are notified in writing and are given the opportunity to receive feedback

Tools/IT:
- The contracts manager prepares a report on the tender process

Tender Panel is made up of Education NZ Contracts Manager and two members of the reference group.
Evaluation Selection Panel is made up of Bond Manager, Communications Manager and Contracts Manager from Education NZ.
Deloitte brings together over 700 specialists providing New Zealand's widest range of high quality professional services. We focus on audit, tax, technology and systems, risk management, corporate finance and business advice for growing organisations. Our people are based in Auckland, Hamilton, Wellington, Christchurch and Dunedin, serving clients that range from New Zealand's largest companies to smaller businesses with ambition to grow.

Deloitte’s local experts draw on best practice and innovative methodologies from around the world as part of Deloitte Touche Tohmatsu, whose 120,000 people globally serve over half of the world’s largest companies. A long track record and a wealth of international research into the needs of growing organisations has made Deloitte the world's leading advisor to emerging businesses. For more information about Deloitte in New Zealand, look to our website www.deloitte.co.nz

Deloitte refers to one or more of Deloitte Touche Tohmatsu, a Swiss Verein, its member firms, and their respective subsidiaries and affiliates. Deloitte Touche Tohmatsu is an organization of member firms around the world devoted to excellence in providing professional services and advice, focused on client service through a global strategy executed locally in nearly 150 countries. With access to the deep intellectual capital of 120,000 people worldwide, Deloitte delivers services in four professional areas — audit, tax, consulting, and financial advisory services — and serves more than one-half of the world’s largest companies, as well as large national enterprises, public institutions, locally important clients, and successful, fast-growing global growth companies. Services are not provided by the Deloitte Touche Tohmatsu Verein, and, for regulatory and other reasons, certain member firms do not provide services in all four professional areas.

As a Swiss Verein (association), neither Deloitte Touche Tohmatsu nor any of its member firms has any liability for each other’s acts or omissions. Each of the member firms is a separate and independent legal entity operating under the names “Deloitte,” “Deloitte & Touche,” “Deloitte Touche Tohmatsu,” or other related names.

© Deloitte 2005. All rights reserved.