

13 February 2004

Clerk of the Committee
Education and Science Committee
Parliament Buildings
WELLINGTON

Submission on Education (Export Education Levy) Amendment Bill

The Education Forum opposes the Education (Export Education Levy) Amendment Bill and proposes that the Committee recommend that the House proceed no further with this Bill.

The Education Forum opposes the Bill for the following reasons:

1. The Bill will have a retrospective effect, both in validating the questionable payments of levy funds in 2003 and inserting new clauses into the export education levy regulations applying from 1 January 2004. Retrospective legislation is generally avoided and there seems little reason to justify such an approach for this Bill.
2. The concept that successful businesses should pay for the failure of their competitors is an egregious addition to the commercial law of New Zealand. It is also one that has not been applied to the public tertiary education sector, where a large number of polytechnics have been assisted (in various forms) to the tune of some \$100 million in recent years.
3. There would appear to be significant government failure in the student fee protection area, with flagrant non-compliance by some PTEs not being adequately dealt with by the New Zealand Qualifications Authority. The Government should consider what burden of responsibility it should bear in this area.
4. Any reputational benefit from refunding students their lost fees will accrue to the whole industry, not just the private sector. If the legislation proceeds, the charge should be on the whole industry - public and private.

The Education Forum would like to appear before the Committee to present our submission. We would be represented by myself and Education Forum member, Dave Guerin. Please contact me at 04 499 0790 or nlarocque@educationforum.org.nz to advise of a potential time to do so.

Yours sincerely



Norman LaRocque
Policy Advisor

Introductory Notes
Education and Science Committee
Education (Export Education Levy) Amendment Bill
24 March 2004

Mr Chairman, Members of the Committee

Thank you for the opportunity to address the Committee on the Education (Export Education Levy) Amendment Bill.

My name is Norman LaRocque. I am a policy advisor with the New Zealand Business Roundtable and an Advisor to the Education Forum. You have already met my colleague Dave Guerin, who is a member of the Education Forum.

We are here on behalf of the Education Forum.

The Education Forum is an education policy group, made up of individuals who have a common concern for the future direction of New Zealand education. Its members are drawn from the early childhood, school and higher education sectors, together with leaders of industry and commerce.

The Education Forum opposes the Bill and proposes that the Committee recommend that the House proceed no further with it.

We have several concerns with the Bill, as set out in our submission. I don't want to simply repeat what is in our submission. Instead I want to focus on two issues very briefly.

We are concerned that the Bill would make successful education businesses responsible for the debts of unsuccessful education businesses. This is something that is applied in few if any other business sectors. I don't know of any. It is certainly not applied in other parts of the tertiary education sector.

For example, successful polytechnics have not been asked to front up for the \$100+ million provided to the large number of polytechnics who have been assisted in recent years. A quick look through recent copies of the Estimates shows that at least 9 polytechnics have been assisted in one form or another. In the case of Wanganui Polytechnic alone, this assistance amounted to \$40 million in one year alone.

It should also be recognised that successful businesses are being asked to assume this potential liability even though they have no control over the entry of institutions into the sector and no mechanism for penalising institutions that get out of line. The accreditation function is instead the providence of the New Zealand Qualifications Authority (NZQA).

This open-ended liability will reduce the value of institutions in the industry and mean less investment in the education sector. And the NZQA's performance to date in this area has not been good, thus giving Private Training Establishments (PTEs) very little confidence that the associated risks are being adequately managed.

Indeed, there would appear to be significant government failure in the student fee protection area, with flagrant non-compliance by some PTEs not being adequately dealt with by the NZQA. Might I suggest that the government consider a levy on the NZQA baseline rather than a tax on the bottom lines of successful businesses.

We also note that the private sector has developed a number of ways of addressing the issues that the levy is attempting to resolve – both before and after the fact. For example, institutional and group branding (eg. membership in Independent Tertiary Institutions)

provides students with information about institutional quality, while fee protection insurance and placement of students address the fall-out from institutional collapse.

If there is a case for a levy – and it is not clear there is - to protect the reputation of New Zealand education, then the benefit will accrue to all institutions – public and private. Hence, any levy should apply to both.

The export education levy was a bad idea in the first place, with very little rationale, as pointed out in an excellent article in July 2002 by economists Neil Quigley and Lew Evans of Victoria University. This proposed change will only make it worse. This cannot be in the interests of students, institutions or New Zealand generally. It certainly will not help prevent another Modern Age. Instead, it will make another one more likely.

Thank you for your time.

<i>Institution</i>	<i>Year</i>	<i>Amount</i>	<i>Detail</i>
		\$	
Wairarapa Polytechnic	1999/00	1,208,000	Additional financial assistance to the Wairarapa Community Polytechnic by way of a repayable loan.
Wairarapa Polytechnic Future	2000/01	4,600,000	Capital injection to meet the costs of the disestablishment of Wairarapa Polytechnic and its incorporation into the Universal College of Learning.
	2001/02	1,400,000	
Aoraki Polytechnic	2000/01	500,000	Capital injection to assist the institution to restructure its balance sheet and reduce its level of debt.
	2001/02	300,000	
New Polytechnic (CIT/WIT)	2000/01	8,000,000	For assistance with the costs of dis-establishing CIT and incorporating it within the Hutt Valley Polytechnic - the new Institution will be known as WIT
	2001/02	14,800,000	
Central Institute of Technology	2000/01	2,950,000	The appropriation addressed CIT's cash flow problems in the 2000 academic year while the institution developed robust long-term financial solutions
Taranaki Polytechnic	2000/01	8,400,000	Financial assistance to the polytechnic by way of a Crown loan and new capital to assist with restructuring its operations
Wanganui Polytechnic	2000/01	7,900,000	Assistance with bridging finance to manage cash flow problems while the institution developed robust long-term financial solutions.
	2001/02	3,965,000	
Wanganui Tertiary Education	2001/02	36,000,000	Funding to support the future provision of tertiary education in Wanganui.
	2001/02	3,825,000	
Northland Polytechnic	2002/03	5,500,000	Financial assistance to the Northland Polytechnic in the form of a Crown loan due to its deteriorating financial position.
Strategic Capital Fund (SCF)	2002/03	16,615,000	Capital fund to assist the tertiary sector make strategic adjustments to the new tertiary education environment.
Total with SCF		115,963,000	
Total w/o SCF		99,348,000	

Note: Amounts are estimated actual appropriations for each year.