



## **Response to the Productivity Commission’s Draft Report on New Models of Tertiary Education**

### **1.0 Introduction**

The Productivity Commission claims in its Draft Report on New Models of Tertiary Education that it has made “a compelling case for significant system change” (p. 13). In our view, the evidence and arguments presented in the draft report fail to support this conclusion. The Commission’s findings and recommendations often betray a shallow understanding of the current system, and tend to rely on sketchy evidence or anecdotal submissions.

The starting point for the draft report seems to be a view that the current tertiary education system is significantly broken, and that there is ‘considerable inertia’ and a lack of innovation in the system. While this view is, perhaps, understandable given the ‘new models’ brief the Commission is working to, it flies in the face of considerable evidence that New Zealand’s system is generally working well, producing good (and improving) outcomes for the vast majority of students, and the country as a whole.

The draft report is notably deficient in its description of the university sector. New Zealand’s universities are well-regarded, highly effective and efficient by international standards, and make a major contribution to this country’s success. We see the Government’s measured support of universities as a clear vote of confidence in what we are doing.

The vital role of research and the benefits of research-informed teaching are given scant acknowledgement in the draft report. This is a striking omission, since strong research and its links to teaching are defining features of the world’s leading universities.<sup>1</sup>

There is often a ‘disconnect’ between what we see at Otago and what the Commission describes. Otago is certainly not a typical tertiary provider, and is arguably not a typical New Zealand university either. This may be one of the reasons why many of the report’s findings do not resonate with us.

Although the Commission does not explicitly recommend that a Student Education Account (SEA) be introduced, the report appears to be strongly geared towards this outcome. As such, the Commission has arguably missed an opportunity to put forward practical and feasible suggestions for improvement (increasing funding of equity groups, for example).

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<sup>1</sup> Cambridge, Oxford, Harvard, MIT, Stanford and Princeton being some of the more obvious examples.

The Commission also appears to be blind to the risks of deregulation. A ‘minimum standards’ approach as suggested would inevitably open up the market to low-quality provision, and potentially inflict lasting damage on the international reputation of our tertiary sector. One only needs to look at the latest batch of PTE failures (which are said to have cost the taxpayer more than \$11 million<sup>2</sup>) and the recent case of IANZ to appreciate the risks of this approach. The Commission laments that “no mechanism is available for experimentation and ‘fail fast’ in trying new courses” (p. 200), ignoring the consequences of such failures for students and other stakeholders. Indeed, caution and due diligence are simply seen by the Commission as barriers to innovation.

We agree with the Commission that education is a co-produced good. Student engagement benefits both teaching and the wider development of core attributes that are important for life after graduation. Unfortunately, much of the draft report is based on a false dichotomy that pits the interests of providers against the interests of students. For example: “Students, employers and providers are autonomous and make decisions in the pursuit of their own interests and missions” (p. 201). It is true that these interests do not always converge, but we do not agree that the system should be described as ‘provider-centric’. We are also sceptical of the claims that “students can be more powerful in driving quality and innovation within the system” (p. 2) and that the current model does not “take account of their preferences and aspirations” (p. 9).

In the following submission, the University of Otago puts forward a case for the importance of research-informed teaching and the statutory role of Universities New Zealand. We then look at various aspects of inertia and innovation in the system, briefly consider the SEA proposal, and discuss a number of factual errors in the draft report. The submission concludes by responding to specific questions and recommendations not covered in the preceding sections.<sup>3</sup>

## **2.0 The Importance of Research-Informed Teaching**

Research and teaching are often simplistically portrayed as competing priorities. The claim made by one submitter that “a good researcher is held in higher regard than a good teacher” (p. 152) typifies this view.

In contrast, Otago is of the view that unique benefits accrue when students at degree-level and above have the opportunity to be taught by active researchers, and to engage in research and independent enquiry as part of their education. Great researchers typically make great teachers, and this is continually demonstrated by the success of many of our top researchers in national teaching awards. We would also reiterate a point made in our previous submission, which is that our Student Opinion Survey shows a gradual improvement in teaching quality over the period that the Performance Based Research Fund (PBRF) was embedded.<sup>4</sup>

At postgraduate level, an effective and credible teacher requires a deep discipline-based knowledge and experience of how that knowledge is created. Both of these requirements can only come from being an active researcher. Additionally, the higher order attributes we seek to develop in our students are learned through research processes embedded in our programmes, and it would not be tenable to have these taught by teachers who themselves are not active in research. We would also reiterate a point made by Professor Neil Dodgson in his submission:

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<sup>2</sup> <http://www.newshub.co.nz/nznews/taxpayers-front-11m-bill-for-failed-training-schools-2016110718>

<sup>3</sup> We have chosen not to comment on proposed changes to the Student Loan Scheme, as these are arguably outside the Commission’s terms of reference.

<sup>4</sup> Over the past 15 years, positive assessments of teaching have steadily risen from 75% of responses to 87%, and negative assessments have fallen from 7% of responses to 3%.

In University teaching, one key role of research is to keep the professional engaged with the cutting edge of their subject. At the advanced levels of teaching in universities (i.e., honours, masters, PhD supervision), research is the *only* way in which a professional can keep current with developments and advances in the field. Therefore, to provide the best higher-level teaching in our universities, we must require that the professionals engaged in teaching are also engaged in research. (p. 5, emphasis in original)

The Commission rejects the interdependence of research and teaching, arguing that “the empirical evidence shows that this relationship is weak” (p. 7). In Chapter 6, we find this evidence referred to in the report to be lacking in substance as it comprises:

- A brief description of two (atypical) universities in Australia and the United States;
- A literature review from 2004, that is not only a decade old itself, but describes findings of studies carried out in what is now the ancient past by higher education research standards;
- An analysis of aggregated graduate outcome data at Australian universities.

We also note that the main finding of the latter study was a highly significant correlation between research-informed teaching and employment outcomes.

A strong research-teaching link is a defining characteristic of the world’s leading universities, and if New Zealand’s universities are to remain well regarded internationally, this must remain so here as well.<sup>5</sup> In recommending that Government relax the statutory requirements for research-led teaching, the Commission argues that

[the] collective view of New Zealand universities is that the bundling of teaching and research is value-creating. If this is so, then universities will choose to bundle teaching and research without a legal requirement to do so; and students will continue to value and seek out degrees where teaching and research are bundled. (p. 309)

We would question whether it is reasonable to expect prospective students (especially school leavers) to grasp the value proposition of research-informed teaching as they consider different study options. As the Commission points out, tertiary education is an ‘experience good’ or ‘credence good’ whose benefits cannot be fully known in advance.

As such, we believe that the current statutory requirements act as a kind of guarantee that both students and taxpayers are investing in quality teaching at degree-level and above.

In this context, it is instructive to consider the case of the Singapore Government and the National University of Singapore (NUS). NUS is a top-ranked university globally, with a focus on research-led teaching. Since 2010, the Singapore Government has invested hundreds of millions of dollars in its UTown initiative, which includes in its key aims the strengthening of the link between research and teaching at undergraduate level.<sup>6</sup>

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<sup>5</sup> The Education Act requires that degree and postgraduate programmes be “taught *mainly* by people engaged in research” (emphasis added), and is perhaps not as inflexible as some might assume it to be.

<sup>6</sup> Interestingly, the new UTown development includes undergraduate residential colleges, in a model that is conceptually similar to that which we operate at Otago. The residential college approach was purposefully chosen by NUS because of its unique ability to develop undergraduate students in the broadest sense. This is something that the government of one of Asia’s most successful nations and Asia’s top-ranked university obviously understand as clearly as Otago, and see as a highly relevant model for the future. It is disappointing, therefore, that the Productivity Commission review appears to be quite dismissive of the ongoing relevance of this model of delivery and the investment required to provide it.

In our response to the Issues Paper we suggested that the Commission carefully consider the role of research in advancing knowledge, and its role in fostering innovation. Unfortunately, the wider application of research is consigned to a footnote in the draft report: “This inquiry is about teaching and learning. Tertiary education also delivers benefits via research” (p. 18). The Commission may consider research to be outside its terms of reference, but we would hope to see some recognition that university research provides crucial support for a nation’s business and innovation systems, including the provision of graduates who bring a research-informed culture of innovation into the workplace.<sup>7</sup>

### **3.0 The Role of Universities New Zealand**

Otago firmly believes that the current quality assurance arrangements for New Zealand universities are broadly satisfactory, and that these play an important role in protecting the sector’s reputation. The Commission has so far provided no compelling reason to change this view.

The report claims that self-accreditation provisions “already operate well in Australia’s higher education system” (p. 306), but offers no evidence to back up this statement. We are unconvinced that self-accreditation would confer any advantage over the current system in terms of fostering innovation; if anything, it seems more likely to do harm.

#### *3.1 Committee on University Academic Programmes (CUAP)*

The Commission argues that the CUAP process is “characterised by slow timeframes for the approval of new degrees” (p. 105) and is “not conducive to innovation” (p. 132). Although the process can be time-consuming, most of the time involved in developing a qualification is taken up with design, review and approval within an institution. This would not change under a system of self-accreditation.

Qualifications are complex products. Getting such a product wrong is both inefficient and potentially damaging both to a provider’s reputation and to the earliest cohort of graduates. Complex products in any industry typically take a long time to get from the conceptual stage to the marketplace; this is because established businesses, like universities, must take care to get their products right.

That being said, it should be noted that the current process does allow new qualifications to be approved in a relatively short timeframe. A recent example is Otago’s new Doctor of Business Administration degree, which was developed and approved over a six-month period and received final approval from CUAP in July 2016; the first cohort of students in this programme will commence study in November 2016.

A number of recent examples at Otago belie the claims that CUAP stifles innovation, and that there is resistance to new models of delivery:

- A new Master of Māori and Indigenous Business degree, to be jointly taught with five other New Zealand universities from 2017. Such ‘jointly badged’ programmes are an emerging trend in other countries.

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<sup>7</sup> For example, a recent study of 100,000+ MIT graduates showed that 31% held one or more patents and 55% had engaged actively in leading product and project development efforts in existing firms. Research intensity and research-engaged learning are clearly at the heart of these outcomes. (See <http://web.mit.edu/innovate/entrepreneurship2015.pdf>.)

- A new Bachelor of Arts and Sciences degree, to be offered from 2017. The aim of this programme – which is the first of its kind in Australasia – is to enable undergraduate students to gain a firm grounding in both science and the humanities, without the need to complete a five-year double degree.
- The aforementioned Doctor of Business Administration degree, which comprises one stream taught in Dunedin, and another stream taught in conjunction with Shanghai Jiao Tong University's Overseas Education College.

It is highly unlikely that proposals for new programmes would be hindered by CUAP on the basis that other institutions “may stand to lose” (p. 279). Debates of this sort tend to play out in the public or political arena (the proposed Waikato medical school being a recent example of this).

Our broad support for CUAP as outlined above is not given on the basis that the current CUAP process is perfect. There is almost certainly some room for improvement, and a review in respect of this is already planned by Universities New Zealand. Our support is, however, given in the firm belief that the CUAP approach, modified in light of the findings from that review, is the best way forward for university academic programme approval.

### 3.2 *Academic Quality Agency (AQA)*

Like CUAP, AQA plays an important role in ensuring that New Zealand universities uphold their reputation and maintain international standards. The Commission notes that the main focus of AQA is to enhance quality processes, rather than evaluate outcomes. This focus is intentional and appropriate, in our opinion.

The Commission claims that there is a tendency to equate traditional models of delivery with quality, but is vague on how quality ought to be measured in future. It does suggest that random inspections might be one way of measuring the quality of teaching and assessment, but it is difficult to see how such inspections could adequately gauge quality across an organisation like Otago, which offers over 2,000 courses (papers) in any given year.

The Commission also argues that an alleged lack of ex post monitoring “appears to be a missed opportunity to identify improvements that matter most for students” (p. 134), but we note that NZUSA states a clear preference for AQA over NZQA in its submission.

Otago already undertakes a range of ex post monitoring; this is discussed further in section 7.

Although there is a clear focus on process, AQA sometimes bases its recommendations on outcomes. Here is an example from Otago's latest academic audit (published in September 2016):

The Self-review Report presented data on students who had been placed on conditional enrolment [i.e. failed to pass half of their credits] and the Panel noted that, for the year data were provided, over half of the students did not re-enrol. Given that a student would have met entrance requirements, spent a year (two semesters) at University and been identified at the end of the first semester, the Panel considered that this proportion of non-continuing students was quite high. (p. 37)

The audit panel goes on to recommend “that the University consider how it identifies students at risk of under-performance early in their studies and how it ensures that all students receive useful and timely feedback on their performance” (p. 63).

### 3.3 *University Entrance*

The Commission argues that “University Entrance performs no useful function and the name confers a market advantage on one type of provider [...] Government should abolish it, leaving universities free to set their own entry requirements” (p. 316).

While it is true that some universities set higher entry criteria than others, we believe that University Entrance should be retained because (a) it clearly signals to secondary school students what they must achieve to be *considered* for admission to degree-level study at any of New Zealand’s universities, and (b) it reduces costs for transferring students, as they do not have to apply for admission to their new university (i.e. because they have already been admitted to the New Zealand university system).

We also note that some Australian universities were recently found to be admitting large numbers of students with ATAR scores significantly below the advertised cut-off point, a practice that carries obvious reputational risks.<sup>8</sup>

Were University Entrance to be discontinued, universities would likely either have to develop proxy entrance standards based on NCEA and equivalent systems – which would be harder to explain to students – or implement some form of undergraduate admissions test independent of NCEA. As is the case where such tests are used overseas, this would impose an additional cost on prospective students and universities.

## 4.0 **Inertia and Innovation**

The Commission argues throughout its report that the New Zealand tertiary system is characterised by inertia and a lack of innovation, and is “vulnerable to external trends or events that might change the nature of demand or the costs of supply” (p. 295). A common theme is that “students are disempowered” (p. 5). This section looks at various aspects of these claims.

### 4.1 *Funding and Investment Plans*

Figures supplied by the Commission show that universities’ overall share of SAC funding increased from 59.1% to 60.5% between 2011-2012 and 2015-2016 (p. 119). An increase of 1.4 percentage points may seem small, but this actually represents a shift of around \$28 million over four years. It is therefore hard to agree with the Commission’s finding that “a very small share of funding allocated through the investment plan process shifts between tertiary providers” (p. 120).

According to the Commission, the Investment Plan process precludes any significant change in a provider’s forecast delivery (e.g., funding to support new programmes), or any deviation from its agreed mix of provision: “TEOs are locked into a predetermined pattern of delivery with limited options to adjust delivery in response to changes in student demand” (p. 121). While this may be true at other providers, it has certainly not been the case at Otago. For example, Otago has seen a steady increase in the proportion and number of students choosing to enrol for STEM subjects over the past few years, and this increase has – by and large – been supported with funding from TEC.

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<sup>8</sup> <http://www.smh.com.au/national/education/nsw-universities-taking-students-with-atars-as-low-as-30-20160125-gmdvr6.html>

That being the case, the Commission underestimates the extent to which TEC funding is influenced by student demand in the current system. In our response to the Issues Paper we noted that funding is allocated in a way that tends to follow demand over time. In spite of this, the Commission argues that “neither the government’s investment in tertiary education nor the collective investment of students flow to providers that are better at teaching, or are more innovative, or offer what students want” (p. 9). The draft report offers very little evidence to support the claim that the current system prevents students from voting with their feet.

The system is not perfect, and funding for Māori, Pasifika and other priority groups remains a particular concern. Adequate funding, not a lack of ideas or knowledge about what needs to be done, is the major barrier to improving the outcomes for such groups. If additional funding were made available – either by increasing equity funding rates or by other means – we believe that Otago’s innovative approaches to supporting these students could be up-scaled to achieve even more. There is some recognition that the current funding system isn’t geared towards improving outcomes for priority groups (finding F8.9), but it is extremely disappointing that the Commission has chosen not to make any recommendations in this area.

The Commission notes that “Plans purchase the inputs, not the outcomes, of the learning process” (p. 164). This may be less true in future, as the Education (Tertiary Education and Other Matters) Amendment Bill will effectively allow TEC to adjust funding on the basis of institutional performance.

#### 4.2 *Switching Costs*

The Commission’s claim of system inertia partly rests on the view that there are substantial costs in switching between institutions. Once again, the Commission seems to be describing a problem that doesn’t exist at Otago.

At Otago, the process of applying for transfer credit is free of charge<sup>9</sup> and relatively straightforward. We always provide ‘like for like’ credit wherever possible – that is, we always try to match a course taken elsewhere with an equivalent course at Otago. Although our credit process is working well, we are currently reviewing the process to improve workflows and timeframes.

The Commission contends that transfer credit offers “are non-transparent and, the Commission understands, often ungenerous” (p. 311). Again, this is not our experience at Otago; in fact, our Student Records Office is unaware of any recent student complaints about the process.

As noted above, the abolition of University Entrance would most likely complicate the process of transferring between New Zealand universities (including transfer credit).

#### 4.3 *Graduate Attributes*

The Commission argues that the system is not always responsive to employer needs, and we accept that this may be the case in other parts of the sector.

Otago regularly interacts with employers and industry to ensure that we maintain an up-to-date understanding of what is required in workplaces. We take a deliberate approach to identifying an

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<sup>9</sup> Students were previously charged \$93 for credit applications; this fee is still ‘on the books’ but is currently under review.

overarching set of attributes we seek to inculcate in all students (what might be called transferable skills). These attributes link very directly to what employers tell us they are seeking from graduates.

As we explained in our initial submission, Otago has been surveying our graduates for two decades, which means we are able to map development and application over long periods and respond to increases in need. For example, our graduates are reporting a greater need for teamwork skills, and Otago has put considerable effort into increasing development opportunities in this area (not an easy thing to achieve in some disciplines). Our graduate survey has been customised over time in response to changes in demand for skills, so that we can better measure changes in the extent to which we are developing specific skills in our students.

Because the results of graduate surveys are fed back to our academic departments, those at the teaching coalface are able to identify gaps and changes in attribute development and application, and to address these as part of curriculum development. Departments are required to regularly update graduate profiles and submit these to our central academic committees for approval. Additionally, our *Guidelines for Teaching at Otago* document, which helps give effect to our overarching *Teaching and Learning Plan*, promotes alignment between assessment and core graduate attributes.

The Commission finds that transferable skills are sometimes “poorly integrated into assessment processes” (p. 91). We note that this finding is based on a highly selective analysis of 12 political science and sociology papers at Victoria University, an anecdotal submission from VUWSA, and an unsubstantiated figure provided by NZUSA.

#### 4.4 Innovation in Teaching and Student Support

Implicit throughout the report is a view that New Zealand universities are risk-averse, slow to adapt to change, and attached to a traditional model of delivery. The Commission argues that “providers generally lack the institutional capability to systematically trial and evaluate new approaches, and cultural resistance to doing things differently is a significant barrier to innovation” (p. 266).

While it may be true that universities are less likely than other institutions to pursue the types of ‘disruptive innovation’ described in the draft report, there is a good reason for this. At Otago, we choose to pursue careful and thoughtful innovation, as we have both a legal obligation (to government) and a moral obligation (to our students and graduates) to maintain our financial viability and reputation, and to use our funding wisely.

Given that innovation is defined as “the process of translating an idea or invention into a good or service that people value” (p. xvi), we would question whether some of the examples given in Chapter 11 are value-creating:

- Unitec – according to one recent report, staff morale at Unitec is “critically low” and the outsourcing of student services has allegedly cost up to \$15 million in lost revenue this year.<sup>10</sup>
- Swinburne Online – while Swinburne may have been successful in tapping unserved demand, it reportedly had the highest drop-out rate of all Victorian universities in 2014.<sup>11</sup>

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<sup>10</sup> [http://www.radionz.co.nz/news/national/316887/enrolment-system-problems-cost-unitec-\\$15m](http://www.radionz.co.nz/news/national/316887/enrolment-system-problems-cost-unitec-$15m)

<sup>11</sup> <http://www.theage.com.au/victoria/swinburne-university-tops-dropout-rate-for-firstyear-victorian-university-students-20160908-grbgex.html>

- Western Governors University – the draft report notes that this university had a qualification completion rate of just 40% after six years.
- Arizona State University – according to one report, “just 323 of 34,086 people who registered for the Global Freshman Academy MOOCs – less than 1% – actually completed the courses with a C or better, making them eligible for the reduced-cost first-year credits”.<sup>12</sup>

A key question of the enquiry is how new models can “support diverse students to effectively engage in the co-production of a tertiary education that suits their needs and preferences” (p. 27). We believe that such engagement is already happening at Otago, through well-established programmes like POPO<sup>13</sup> and PASS<sup>14</sup>, strategies to support students at risk of failure or disengagement, and newer initiatives such as flipped classrooms. Research-informed innovations in teaching are supported by the University via teaching and learning grants.

Innovation is also occurring in the international space. For example, Otago is the lead partner in a new initiative (supported by all eight New Zealand universities) to offer a Foundation programme in Malaysia next year; students who successfully complete this programme will be eligible for direct entry to any New Zealand university.

In our latest academic audit the Panel was “impressed by the University’s support for teaching innovation” (p. iv) and “by the way in which the University designed research trials to assess the impact of interventions, initiatives or pilot programmes and considered these results in deciding whether to take an initiative to scale across the University” (p. 43).

## 5.0 The Student Education Account (SEA) Proposal

The SEA proposal hinges on an assumption that students are rational actors who will make the right decisions – for themselves and for society – given the right advice and information about the ‘value-add’ of different educational products. This seems naïve and unrealistic.

It is fair to assume that an allowance of \$45k would normally be exhausted within two to three years of full-time university study, and that students would be more averse to taking on debt for further study.<sup>15</sup> This could have a number of undesirable effects, including the following:

- A lower rate of progression to postgraduate study, and an eventual reduction in the number of New Zealanders engaged in research;
- Less demand for degrees in high-cost subject areas<sup>16</sup> and longer undergraduate degrees;
- A disincentive for students to enrol for foundation study prior to university, even when this is clearly in their best interest;
- A disincentive to enrol beyond first year if students have had a ‘false start’ or chosen the wrong course;
- Fewer students retraining or upskilling later in life if they have already completed a degree.

<sup>12</sup> <http://www.educationdive.com/news/under-1-of-global-freshman-academy-students-eligible-for-asu-credit/411241/>

<sup>13</sup> An 11-week programme designed to support Pacific students in our challenging Health Sciences First Year course.

<sup>14</sup> Peer-Assisted Study Sessions, which are weekly one-hour interactive study groups facilitated by second or third year students (PASS facilitators) who have successfully completed the course.

<sup>15</sup> For the sake of argument, we have assumed that students would receive a lump sum rather than annual top-up payments. In any case, under a top-up system most 18-year old school leavers would have accumulated more than enough money to cover the full cost of their first year of study.

<sup>16</sup> The allowance calculated by the Commission (\$45k) would be insufficient to cover the current cost (SAC funding plus tuition fees) of a three-year BSc (approximately \$60k).

The Commission argues that “the SEA model would reduce bureaucracy and administrative costs for providers and government” (p. 328), but Otago believes that such costs would continue to be high – particularly if ‘loadings’ were applied to certain subject areas and priority groups.

The report considers some of the potential disadvantages of the SEA model, but fails to address the obvious risk of low-quality provision when providers are free “to develop and offer just about any model that they think students will value, subject always to meeting minimum quality standards” (p. 10). It also argues that “providers delivering education that students did not value would suffer as funding moved to follow demand” (p. 329). This is overly simplistic, and ignores the ability of the current system to respond to demand.

Elsewhere, the Commission claims that students currently “bear high costs from making initial mistakes or from changing their mind” (p. 311) and that the current system “has high political and financial risks for government” (p. 202). Both of these alleged problems would continue to exist under the proposed model.

## 6.0 Factual Errors

The draft report contains a number of factual errors and misleading statements:

1. On page 316, the report incorrectly states that providers are prevented “from receiving TEC funding for students who want to take a course but do not intend to pursue a qualification”. Similar claims are made throughout the document. Actually, under the current funding rules, providers are able to claim up to 5% of their SAC funding for students enrolled in a Certificate of Proficiency (COP) programme.<sup>17</sup>

The current limit is not an issue for universities. In 2015, COP enrolments accounted for 1-2% of SAC-eligible enrolments at every university except Canterbury, where the percentage was 2.9%.<sup>18</sup> A large proportion of COP students at Otago are here on exchange (and are therefore eligible for SAC funding).

2. At times the Commission seems to misunderstand how Performance-Linked Funding (PLF) works. On page 170 the report says that “a provider can face a big net cost in enrolling a student who will tip the organisation from ‘just at’ to ‘just below’ the performance benchmark”. In reality, the net cost of such a student would be proportional to the size of the institution.

It may be that the Commission is confusing PLF with Low-Performing Provision (LPP), which doesn’t work on the same proportional basis. Under the LPP mechanism, the TEC is effectively able to recover funding for courses where the pass rate of domestic students is below a certain threshold (60% in the case of universities). One failing student can make a big difference under LPP.

3. On page 165, the report says that there is a strong incentive to deliver courses within a calendar year because the TEC’s course completion rate “calculates the proportion of students who have completed a course in the calendar year in which they first enrolled”.

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<sup>17</sup> See <http://www.tec.govt.nz/Resource-Centre/Rules-and-Conditions/SAC3/SAC3010-Certificates-of-proficiency-and-short-awards/>

<sup>18</sup> Sourced from the Ministry of Education’s Tertiary Data Warehouse.

This is incorrect; the completion rate refers to all courses that end in a particular calendar year, including courses that started in a previous calendar year.<sup>19</sup>

4. The statement that “international students below doctorate level attract no tuition subsidy funding” (p. 177) is incorrect. Providers receive a relatively small amount of SAC funding for international full-fee students enrolled for research masters’ degree programmes.<sup>20</sup>
5. On page 247, the report states “that average government funding per delivered EFTS across the tertiary sector as a whole has increased in real terms by 9% since 2000”. This is arguably misleading, as the increase will be partly due to an increasing proportion of students in postgraduate study or high-cost subject areas. Most SAC funding rates have not increased since 2012, and therefore funding has fallen in real terms.
6. On page 118, Otago’s submission is quoted to support the argument that the Investment Plan process is ineffective. Unfortunately, this quote has been taken out of context. Our submission actually said: “*It may be that the Productivity Commission has overlooked Investment Plans because it judges that – with so much funding being formula-driven – there is no genuine investment decision being made*” (p. 9, emphasis added). While the Investment Plan process isn’t perfect, we wouldn’t go so far to say that no investment decision is being made.

## 7.0 Questions and Recommendations

The following section responds to specific questions and recommendations in the draft report (unless covered above).

### Questions

*Q9.1 What evidence is there about the impact of New Zealand tertiary education on participants’ or graduates’ wellbeing, separate from their labour market outcomes?*

To answer this question, the Commission might care to take up a suggestion we have already made, which is to consult with the team running the Graduate Longitudinal Study New Zealand (GLSNZ). GLSNZ is the most comprehensive study of graduates ever undertaken in New Zealand, and covers well-being in depth. There is scope for GLSNZ to compare the well-being of graduates with the wider population, by benchmarking against other longitudinal studies and international evidence.

*Q12.2 What measures might encourage providers to enter into articulation agreements to provide pathways for students to study across providers?*

As noted above, we believe the Commission may have underestimated the extent to which students are able to transfer between providers.

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<sup>19</sup> See pages 7-10 at <http://www.tec.govt.nz/Documents/Forms%20Templates%20and%20Guides/Educational-Performance-Indicators-Definitions-and-methodology-Version-8-October-2014.pdf>

<sup>20</sup> For example, at current rates, an international student enrolled for a master’s degree in an Arts subject would attract \$3,405 per EFTS excluding GST.

We agree that performance measures should be refined so that providers are not punished when students decide to study elsewhere.

*Q12.4 How can government deregulate fees, to encourage providers to differentiate more on the nature and quality of their offerings, while still adequately protecting the interests of students? Is this achievable within a system where government centrally allocates a capped number of subsidised places?*

We do not support the full deregulation of student fees, as this is likely to have the same perverse effects seen in Australia and the United Kingdom.

Instead, we would argue for a more flexible version of the current system. The Annual Maximum Fee Movement (AMFM) is adequate in terms of protecting student interests and controlling Student Loan Scheme costs, but we believe that Government should relax both (a) the conditions around exemptions to the AMFM, and (b) the requirement for institutions to set fees in the middle of the range for similar courses offered across the sector (as one submitter noted, it is impossible for providers to know what this range is). Providers that are delivering strong outcomes should be allowed to differentiate upwards in fees for quality.

A more flexible system would enable providers to address long-standing price inequities that have been locked into the system for many years. For example, in 2015, the standard fee for Otago's BCom degree (\$5,160 per EFTS) was significantly lower than both the average fee for business courses at other New Zealand universities (\$5,674), and the standard fee for business courses at the University of Auckland (\$6,032).<sup>21</sup>

## Recommendations

*R12.2 NZQA and providers should use ex post tools that assess the actual quality of the tertiary education experience. Such tools can ensure compliance with minimum standards and verify promises made by providers.*

The University of Otago already uses extensive ex post tools to monitor teaching quality, and we expect that this happens at other New Zealand universities as well.

Otago regularly seeks confidential student feedback by way of courses and individual teaching evaluations (which focus on specific papers and staff). This is a vital means of monitoring teaching quality and, where necessary, focusing on improving that quality. Broader surveys are undertaken annually to test satisfaction with the wider learning experience (for example, at the level of degree and major) and with student life, facilities and the various support services we provide. Results of these surveys are taken back to academic departments and service units, and are also an important resource for our regular programme of internal reviews.

In Otago's latest academic audit report, the Panel noted the University's ongoing efforts to improve evaluation processes, and commended the University for its "promotion of, and support for, a culture of teaching excellence" (p. 49).

*R12.4 The Ministry of Education and the Tertiary Education Commission should prioritise analysis of the value-add of tertiary education, including at provider level and by ITO. It should identify*

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<sup>21</sup> Based on data retrieved from the Ministry of Education's WhichCourseWhere site in December 2015.

*what kinds of study, at what providers, result in the best outcomes for different groups of students – including comparisons between provider-based and ITO-arranged training. It should publish this information for use by students, parents, providers, ITOs and purchasing agencies.*

Measuring the 'value-add' of tertiary education is inherently challenging, particularly in a small country like New Zealand. Some of Otago's concerns about the Employment Outcomes of Tertiary Education (EOTE) project are that it doesn't control for regional and gender differences, or provide information about graduate outcomes at the level of detailed subject area. We understand that these limitations are mainly due to sample size and privacy issues.

On page 309 the Commission argues that "imperfect information should not delay action", and implies that institutions "who favour the status quo" can be obstructive when it comes to measuring performance. All measures have the potential to mislead, but it is important to minimise this wherever possible. In that respect, Otago has appreciated the TEC's care in developing its new cohort-based qualification completion and retention measures.

While measures of value-add are useful, we agree with other submitters that it may be more important to focus on career management skills and competencies to support decision-making. This is particularly true when demand for certain professional skills (e.g. accountancy), at least in their current form, is likely to be uncertain in future.

We would also suggest that the TEC's Educational Performance Indicators are actually useful measures of the Government's return on investment. Most non-completions are unsuccessful outcomes, regardless of the cause.

*R12.5 The Tertiary Education Commission should change the way it measures completions so that provider performance is not penalised if a student transfers to continue learning at a different provider or moves into work.*

We agree that the TEC's qualification completion and retention measures should count a transferring student as a successful outcome. Moving into work is more ambiguous, as this can often be a response to an unsuccessful outcome for the student.

*R12.7 Government should discontinue Performance-Linked Funding.*

We agree that Performance-Linked Funding (PLF) may be acting as a disincentive for providers to enrol 'at-risk' students, including students in priority groups.

We support the discontinuation of both PLF and Low-Performing Provision (LPP), noting that the Education (Tertiary Education and Other Matters) Amendment Bill will enable the TEC to adjust funding in more targeted ways.

*R12.9 The Ministry of Education should reform its approach to school-based career education so that school students, from an early age, develop the skills and knowledge to make effective decisions about their study options and career pathways.*

We agree with the submission of Universities New Zealand that "transitions from compulsory to post-compulsory education need better ownership, funding support, strategies and capability". It remains to be seen whether this can be achieved by the recent merger of Careers New Zealand with TEC.

At the same time, we also recognise that young people undergo substantial development during late adolescence; it is naïve and immoral to lock down a student's range of options early in their academic career. Any advice at secondary school needs to provide students with a broad range of options for future study. A student's study choices in secondary school should keep his or her future options open for as long as possible.

*R12.10 Government should consolidate and improve the array of official information sources about study and career options aimed at prospective (and current) tertiary students.*

Agreed, but we note that TEC is already taking a number of steps in this direction.

*R12.16 Providers should develop or adopt frameworks of standards for tertiary teaching, suitable for New Zealand's tertiary system, for assessing and rewarding the capability and performance of tertiary teachers.*

Otago already has a document that arguably serves this purpose. Our detailed *Academic Staff Promotions* guide outlines the criteria and standards for promotion to or within academic grades.

*R12.18 Government should establish a student ombudsman service within NZQA to promote credit transfer, and with the power to arbitrate disputes between transferring students and their destination provider.*

We have not seen any evidence that students have difficulty gaining transfer credit at Otago. We do not believe that a student ombudsman service is necessary (in the university sector, at least), nor do we think there is any practical need for an ombudsman to arbitrate between faculties or departments of a university.

*R12.20 To improve their ability to innovate, tertiary education institutions (TEIs) should own and control their assets, and be fully responsible for their own debts. Government should seek to amend the Education Act 1989 to allow it to identify financially competent TEIs and treat them accordingly. This includes:*

- *removing the requirement for such TEIs to seek approval to acquire or dispose of assets, or to borrow money; and*
- *removing government's guarantee of the creditors of such TEIs.*

While we can understand the reason for this view, the practical reality is that the Crown is the substantive owner of TEIs, and is perceived by voters to be responsible for them. We think that the current level of oversight is reasonable.

*R12.21 Tertiary education institutions (TEIs) should contribute directly to their local communities by paying rates. This would remove a distortion that leads to inefficient asset use by the TEIs and inefficient land use.*

The University of Otago already pays rates to the Dunedin City Council – either in the form of utility rates, or full commercial rates (e.g. for our Executive Residence). Our total rates bill for 2016/2017 is \$2.1 million. We estimate that our rates bill would increase by \$4.7 million if the University had to pay full rates. We have no objection to this if Government is willing to cover the additional cost.

*R12.22 Government should:*

- *extend funding eligibility to students who do not intend to pursue qualifications;*
- *remove specifications that set a lower and upper limit on fundable course duration; and*
- *remove limits on the use of industry training funding on training at levels 5 and above on the NZQF.*

As noted above, providers are already able to claim up to 5% of their SAC funding for Certificate of Proficiency (COP) enrolments, so the first part of R12.22 recommends a provision that already exists. It is unclear what the Commission means by lower and upper limits, but we assume that this ties in with recommendation 12.30.

*R12.24 Educational delivery by institutes of technology and polytechnics anywhere in New Zealand should not require the approval of the Tertiary Education Commission.*

This is likely to create inefficiencies in regional provision and increase risk.

*R12.25 The Ministry of Education should systematically identify and remove regulatory barriers to new entrants in the tertiary education system, subject to quality standards.*

See response to R12.28 below.

*R12.26 Any provider should be able to apply to NZQA to use the terms “university”, “polytechnic”, “institute of technology” and “college of education”. NZQA should grant or reject such applications based on the provider’s characteristics and on whether students or the public are likely to be misled about the provider’s nature or quality.*

See response to R12.28 below.

*R12.28 Government should approve for New Zealand those providers and courses approved in jurisdictions with which NZQA has mutual recognition agreements, or in other jurisdictions where the New Zealand government is satisfied with the quality assurance arrangements.*

Any private or international education provider can currently apply to Government to conduct business as a university in this country. The main impediments for new entrants are low levels of demand and funding, not legislative barriers.

We feel that any decision to grant the use of the protected term ‘university’ should sit with the relevant Minister, not with NZQA.

*R12.30 The Government should alter the definition of an equivalent full-time student (EFTS) to allow alternatives to the input-based “learning hour” as a basis of calculation.*

We strongly oppose this. The EFTS unit may be imperfect, but it is the universal measure of student workload (as used in international rankings, etc.). Alternative, more flexible measures would almost certainly lead to gaming and fraudulent practice, assuming that some providers will seek to maximise their income for minimal effort; e.g. micro-MBAs. Unbundling the costs of teaching, assessment and pastoral care could be extremely difficult and costly to administer, and even harder to monitor.

Students are already able to complete certain degree programmes in a compressed timeframe. At Otago, a very ambitious student could (in theory) complete a 360-point bachelor's degree within two calendar years.

*R12.32 Every student should receive an invoice from their provider for government-subsidised education. This should explicitly show the full price of education, and the Government's contribution alongside the fee payable.*

While we fully appreciate the sentiment behind this, there are arguably more effective ways of informing students about the taxpayer's contribution to their education. For example, our Vice-Chancellor always makes a point of stressing this when she addresses our incoming class of 3500 students every year and she makes this point in her presentations to parents during recruitment and at Orientation.

Financial matters of this sort are not always at the forefront of students' minds, especially if they are accessing the Student Loan Scheme (where StudyLink pays the institution directly), or their parents are paying for their education.

*R12.33 The Tertiary Education Commission should, in consultation with providers, set – and stick to – a reasonable deadline by which they will confirm funding allocations.*

This is fine in principle, and we understand that late confirmation of funding may be a significant issue for smaller providers. On the other hand, it should be acknowledged that TEC has a difficult job in balancing institutional forecasts with budget appropriations.

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