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**ITI greatly appreciates the Productivity Commission extending the deadline for our submission to Friday 6 May 2016.**

## Questions

Below are the 78 questions contained in the issues paper. These questions are not intended to limit comment. The Commission welcomes information and comment on all issues that participants consider relevant to the inquiry's terms of reference.

Submitters should choose which (if any) questions are relevant to them, and leave or delete those they do not wish to answer.

**ITI Comment:** On page xii, the definition of Private Training Establishment is accurate and non-pejorative. We applaud the Commission as this is not always the case, even in official education documents.

Question number	Question text	Where the question
Q1	<b>What are the advantages and disadvantages of administering multiple types of post-compulsory education as a single system?</b>	Page 3

The main advantage is flexibility so a wide range of provision can be offered to meet the wide range of student, employer and community needs. The rules are generally consistent, though in the past the public and private sector have often been treated quite differently. For example, public providers received equity funding to provide greater support for Maori and Pasifika students while private providers, who have a strong record with Maori and Pasifika students, did not. This was rectified several years ago in a Budget announcement. We would be disappointed if the inequitable policies returned due to partisan political decisions or union pressure.

The main disadvantages are related to complexity and compliance. When a system has to cover a range of provider sizes, qualification levels, teaching styles, structures and student cohorts then the rules have to be designed to cope with the biggest and most complicated issues. This means other (usually smaller) providers can be burdened with unnecessary compliance targeted at larger providers.

In the eight years I have worked for ITI there has been a definite trend in members employing more staff (and more senior staff) solely to deal with paperwork. "I miss teaching," one senior manager lamented at the last ITI Board meeting.

Q2	<b>Do prospective students have good enough information to enable them to make informed choices about providers and courses? What additional information should be provided? Who should provide it?</b>	Page 8
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Prospective students have more than enough good information to make informed choices – far more than any other generation of learners (particularly once the Key Information Set with employment and income information comes into full effect).

The key point is that very few of the learners use the information. One ITI member in the travel industry reported that they have had thousands of students through the doors and not one has ever mentioned the four Educational Performance Indicators (EPis) buried in the TEC website, or checked

the extensive External Evaluation and Review (EER) report in the NZQA archives. If they see this information at all it will be a summary in the provider's own marketing material.

Factors such as the comments of peers, job prospects, social media, subject inclination and geographical location remain very strong. A student who wants to (or has to) stay in Manukau will not study in Invercargill even if the wage prospects are slightly better and the retention rate is a bit higher.

The system of EPIs and EERs, while useful for providers to compare to their competitors and for funders to base their decisions upon, presumes a mobility of prospective students that simply is not there. The market may be free but relocation costs most assuredly are not.

(Some) parents and (some) employers use the information more. For employers, how previous graduates from specific providers have performed is crucial. This is why ITI members were disappointed that the local provider-specific qualifications they developed have been subsumed into generic qualifications under the Targeted Review of Qualifications (TRoQ). It used to be that employers knew that, for example, graduates in Fine Art from [ITI Member A] were generally more suitable than graduates in Fine Art from [Other Provider B].

**Q3**

**Is the business model of universities published by Universities New Zealand a good characterisation? Are there aspects of the business model of universities that it does not explain?**

**Page 11**

No ITI comment.

**Q4**

**What is the business model of ITPs? Do the business models of ITPs vary significantly? In what ways?**

**Page 12**

No ITI comment.

**Q5**

**What are the business models of the three wānanga?**

**Page 12**

No ITI comment.

**Q6**

**Do the business models of PTEs have common characteristics?**

**Page 12**

First, it is noted on page 9 that "TEIs must provide annual reports to the government and are subject to various constraints on their financial management and activities that do not apply to Private Training Establishments." This is true but incomplete.

PTEs are subject to a long shopping list of constraints on financial management and activities that do not apply to TEIs. These include annual attestations, annual financial reporting, TEC's financial viability regime, student fee protection measures, 20 contact hours for many learners, far more rigorous attendance checks and so on. This is on top of the universal compliance work.

The suggestion that PTEs were subject to fewer constraints on their financial management and activities caused considerable mirth at the last ITI Board meeting. ITI supports a merit-based, evidence-based level policy playing field.

It is correctly noted that the business models of the PTE sector are variable – from international conglomerates, to listed companies, to trusts, to family businesses and not-for-profit/not-for-loss.

The main common characteristic is that they can fail. TEIs, with an effective Government guarantee, will never be allowed to fail. There may be implications for individual managers and staff (though in many cases there are not), but a PTE can fail utterly and the Government will let it. This can have massive consequences for owners, staff and students. The game is a lot more real for PTEs without a Government safety net.

Q7

**What are the implications of economies of scale in teaching (and the government funding of student numbers) for the delivery of tertiary education in different types of providers and for different types of courses and subjects?** Page 12

Funding and enrolment caps have blunted the implication of economies of scale. This is because there are only a very small number of additional (marginal) domestic students a provider can take on before running into trouble with TEC for breaching the artificially set cap.

For many years, PTEs did provide substantial numbers of additional (marginal) domestic students to the Government for just the cost of loans and allowances (if taken). This was called “over-delivery” and was actively encouraged. Some ITI providers even five years ago were delivering 150% to 200% of the students they were funded for and meeting quality standards.

The Government suddenly became spooked by the loans and allowance cost and imposed the caps. These did not really affect TEIs who were relatively close to their new caps in most cases. However, if the policy had been fully applied in our sector then a number of quality PTEs would have been closing down campuses or shutting their doors entirely. ITI led a strong fight against this policy. The implications for PTEs had not been considered in the policy development process and we were not consulted.

ITI has a long-standing policy of supporting a loosening of enrolment caps. “Over delivery” is the cheapest education the Government will ever get and members hate having to turn away good students because of a spreadsheet on the Terrace.

One ITI member notes *“the Government’s argument for easing the student loan burden is, and always has been, flawed. It’s not just about shunting students from one provider to a ‘lesser’ provider - it’s about the fact that the Government is failing to see the big picture in terms of student loans and allowances. The cap on Provider A shunts the student to Provider B but the cost to Government for this student in terms of student loans and allowances is the same irrespective of where the student studies. More than just restricting choice for the student, the cap simply oppresses PTEs and encourages universities and ITPs to flourish; hardly fair and just practice for either the student or the PTE.”*

The member suggests looking at the most recent Student Loan report ([https://www.educationcounts.govt.nz/publications/tertiary\\_education/annual/2555/student-loan-scheme-annual-report-2015](https://www.educationcounts.govt.nz/publications/tertiary_education/annual/2555/student-loan-scheme-annual-report-2015)) which shows *“the cost to Government has significantly reduced due to two factors: an increase in the amount student loan debt being repaid and a reduction in student allowances. In fact, the number of SAC funded EFTS at Level 3+ reduced by 1.3% between 2013 and 2014 (latest 2015 report) but the Government expenditure on student loans and allowances during this period reduced by 10%, 8% of which is down to students paying back student loans at a greater rate.*

*Maybe, rather than concentrating on capping providers, the Government could look at encouraging/incentivising students to pay back their loans more quickly? After all, the student loan burden is something that needs to be managed by the two parties involved in the loans and allowances contract; the student and the Government.”*

Another ITI member argues:

*“In order to contain this loss of money, the Government constrained the number of EFTS in the whole system, thereby restricting the number of loans that would be taken out. In doing so, they turned a free market into a controlled one with perverse economic results.*

*For example: assume that in a particular discipline, prospective students have a choice between two providers, one that is very high quality and the other that is mediocre. The high quality provider is over-subscribed and so must turn away a number of applicants. Those declined applicants then find a place in the mediocre institution, which then meets its EFTS target. Two negative effects occur - a number of students receive a lower quality education than they might have had, and the mediocre institution stays in business.*

*Were there no cap on EFTS, the higher quality institution might have accepted all those who applied (giving them the education they wanted and deserved), and the mediocre institution would either improve or fail and exit the system. The policy lever designed to contain student loans is responsible for some students receiving a lesser education than they deserve and for keeping poor quality institutions in business. While the system does have mechanisms for removing the poorest quality institutions (with sluggish results), there are a number of mediocre institutions that may not be the worst in the system, but they survive when perhaps they should not. The implementation of policy here has the overall effect of downgrading the whole system when policies should be encouraging the reverse: the optimisation of the sector.*

*We believe the cap process should be abandoned and replaced with a more fluid mechanism that achieves the goal of managing the overall number of EFTS but allows more efficient, higher quality organisations to over-achieve their EFTS target on occasion where a need is identified*

*Providers must meet the cap every year or risk the lowering of the cap in future years. Many institutions manage this risk by offering a second intake of a programme in July which acts as a mechanism to adjust their EFTS achievement to achieve their cap (after their February achievement is known). The EFTS target is so tight (and the consequences so severe) that institutions create a new risk of either turning down otherwise capable students (if the quota is met), or taking on students with a low likelihood of success (if it is not). This does no-one any good - not the students, the provider or the system as a whole.*

*In order for providers (particularly in the private sector) to manage and develop their businesses, they must look for alternative sources of revenue, which many are very good at. However, this can often be a distraction to the core business and can come at the detriment of the quality delivered to full-time students. The cap on EFTS doesn't allow providers to do what they do best - deliver high quality programmes to more students.”*

One solution worthy of serious consideration is a “secondary market in EFTS”. Here is how it may work according to a senior ITI member:

*“In order to lessen the game-playing around EFTS targets and to allow some organisations to over-achieve in any given year, perhaps there should be a secondary market in EFTS. A provider who is experiencing a temporary drop in EFTS (which often occurs when changes are made to a suite of programmes) could “trade” their EFTS with a provider who is experiencing a surge in enrolments. The trade would only be for a single funding year and would be negotiated with TEC who would need to approve the trade. This would achieve two purposes – temporary release of funding constraints to an organisation that is growing, and the avoidance of punitive measures for another organisation that is going through a change process.”*

It is a seriously good idea.

**Q8**

**How does competition for student enrolments influence provider behaviour? Over what attributes do providers compete? Do New Zealand providers compete with one another more or less than in other countries?**

**Page 12**

Competition for student enrolments (and the associated funding) is probably the largest influencer of provider behaviour. Look at the multi-million university advertising campaigns (including two at the Wellington premiere of *Star Wars: The Force Awakens*), Zero Fees, education fairs, school visits, scholarships, pastoral care, and travel assistance,

When discussing this issue, ITI members have a saying - "always follow the money." The money follows the student. In the last two years ITI members have noted an increase in what we would consider "inducements" to students, particularly from ITPs who are facing declining numbers. We recently sought clarification on the definition of inducements from the TEC and members will be making a number of formal complaints about students basically being stolen away. The practice is not allowed.

Q9

**What are the implications of fixed capital costs for the business of tertiary education? Do differences in the capital structure of different tertiary institutions have important implications for the delivery of tertiary education?**

Page 13

Similar to Q6, the analysis of fixed capital costs is true as far as it goes but is incomplete. Yes, TEIs have higher fixed capital costs and more PTEs rent. However, TEIs own their property which provides security and stability. It should also appreciate in value most of the time (if the media is to be believed). PTEs that lease their premises have to pay rent, face more uncertainty about planning, and do not accumulate capital.

To use a household property analogy, this argument is a bit like saying that renters are better off than homeowners because they do not have to pay a mortgage. That is true – but they do pay rent and they do not end up with a house.

The implications here are not insignificant.

It should be noted there are several other ways that TEIs benefit in regard to capital and property. Most City Councils do not charge government-owned institutions rates. However, similar rates relief is not offered to private providers if they own their property, or to their landlords if they rent. TEIs can sell part of their property and the money does not return to the government - it is available to the TEI to reinvest in other activities. ITI would point to Unitec's current plans to divest themselves of valuable land, and Auckland University's proposed sale of their East Tamaki campus.

Q10

**What are the implications of the multiple activities of tertiary education for its delivery? What outputs are best produced together? What outputs are best produced separately?**

Page 13

For ITI, this is a question that we believe that individual providers, subject to minimum quality standards of course, should generally make for themselves. Our members "bundle" services in a number of ways to match their teaching pedagogies and student need.

One common message though is that they wish there was more emphasis on real teaching and learning. We can sometimes get tied up in the ancillary issues. There was also some surprise at the lack of requirements for formal teaching qualifications in the public sector given some of the occasional insinuations from public sector groups and unions about the alleged quality of PTE staff. This is addressed more fully in Q15.

Q11

**What are the benefits and disadvantages, in terms of students' learning outcomes, of bundling together research and teaching at universities in New Zealand?**

Page 14

It is worth noting that a number of PTEs bundle together research and teaching, not just universities. While most research occurs at universities, a number of PTEs (and ITPs) are involved in the Performance Based Research Fund, including a handful of ITI members. This number is slowly growing despite some resistance from the university sector.

Most PTEs that are involved in research and receive PBRF funding value both research and teaching. They offer comprehensive support to research active staff while still maintaining high quality in the classroom.

**Q12**

**What value is attached to excellence in teaching compared to excellence in research when universities recruit or promote staff?**

**Page 14**

See the comments about Q11. Degrees are not university-specific and research is not university specific. It should not be treated as such. The issue should be considered where ever it occurs in the tertiary education system.

**Q13**

**Do New Zealand TEIs cross-subsidise research with teaching income?**

**Page 14**

Absolutely - everyone knows it.

**Q14**

**What other evidence is there about what makes for effective teaching in a tertiary environment? Is it different for different types of learning or student? How can teaching effectiveness be best measured and improved?**

**Page 17**

It certainly varies considerably even within ITI, far less across the sector. For example, one of our members focuses on a teaching style which emphasises well-being. Another is focussed on employment skills and job results (because in both cases that is what their students are there for). Swapping these teaching styles between the two providers would be disastrous as the teachers would not be familiar with the approach and it would not meet their students' expectations.

As a generalisation, the private sector tends to put more emphasis on practical ways of improving teaching. It is fair to say the PTE sector has the least engagement of any sector with Ako Aotearoa because their research and workshops are seen as largely too academic. Their work is generally produced by researchers rather than practitioners. While the quality of the Ako work is high, it can fail to answer the question "how is this going to help me teach better tomorrow?"

**Q15**

**How do tertiary providers assess, recognise and reward teaching quality in recruitment and career progression? To what extent do tertiary providers support the professional learning of teachers?**

**Page 19**

On page 17 the report notes that 10 out of 12 ITPs and around half of 131 PTEs required a teaching qualification to be gained within 2 or 3 years of full-time appointment, but no university had such a requirement. 40% of PTEs required a teaching qualification for appointment to a full-time teaching role, but no ITP or university had such a requirement. It is fair to say ITI members were a bit shocked by these results as we had assumed qualifications would be required in far more public providers. It is

certainly a statistic we have filed away and we thank the Productivity Commission for unearthing it again.

High-quality PTEs are generally very supportive of professional development – particularly supporting the first formal teaching qualification. There is also a growing trend of collaboration and sharing best practice between providers in similar fields. This runs counter to the general trend towards competition as numbers drop.

The Ako Aotearoa Tertiary Teaching Excellence Awards are a nice event celebrating the sector. However, the recipients, entrants and attendees are dominated by universities and ITPs. In recent years there has generally been one PTE winner (out of a dozen). Ako has encouraged PTEs to apply – to be fair – but the requirements of the entry (which requires long periods at the same provider) and the production of the complex portfolio do not seem to suit PTE teachers.

**Q16**

**How do New Zealand tertiary providers use student evaluations?  
How does this influence provider behaviour?**

**Page 19**

Most ITI members use some form of student evaluation ranging from weekly survey to an at the end of a course questionnaire. We believe student evaluations provide useful (but not perfect) feedback to teachers and the provider. A number of members have altered their key courses after feedback from recent graduates that the skill sets required in work (including use of technology) were changing.

**Q17**

**In what ways and to what extent do employers interact with tertiary providers in New Zealand? Are there practical ways to encourage employers to have greater or more productive involvement in the tertiary education system?**

**Page 21**

Getting employer interaction has the combined issues of:

- 1) they are busy
- 2) they often do not speak the same language as educationalists
- 3) they are giving their time and expertise up for free to benefit New Zealand and themselves, but also their competitors.

Most PTEs have developed out of an identified employment need - it is in their DNA and without the support of industry they will fail. For these PTEs, maintaining strong industry relationships is critical to their success and survival. This is done through industry representation on advisory boards, student placements, internships and industry collaborations.

One glaring omission in the otherwise excellent Productivity Commission report was a seeming lack of input from Business NZ – the largest employers' representative group - who has a specialised (and expert) education and training manager (Carrie Murdoch). Business NZ will be able to provide the employers perspective in a way that the Tertiary Education Union (TEU) cannot. For example, Business NZ has historically conducted surveys showing a very high degree of employer satisfaction with PTE training, higher than universities and ITPs.

**Q18**

**What are the similarities and differences among ITOs, or between ITOs and other tertiary subsectors, in how they operate?**

**Page 21**

ITOs have been radically transformed in recent years because the Government considered that they were performing poorly. The Minister for Tertiary Education dramatically restructured the ITO sector and hopefully the far smaller number of them will step up to their clearly proscribed responsibilities.

ITOs have been reluctant to take up the Qualification Developer role under the Targeted Review of Qualifications (TRoQ) – a role which was largely designed for them. This is understandable because it is an expensive and thankless role. NZQA hugely overestimated the willingness of any organisation (including ITPs and PTEs) to take on the Qualification Developer role and, as a result, NZQA now holds that responsibility in many areas until someone else steps up to the plate.

**Q19**

**What makes for a successful ITO in terms of meeting the needs of firms for skilled staff?**

**Page 21**

Simply put – broad industry understanding, supporting all quality trainers (not just a favoured few) and sticking to their clearly defined role.

**Q20**

**How effective is the ITO model in meeting the needs of learners and firms?**

**Page 21**

It has an amazing international reputation which is not borne out by recent results. It could be characterised as average, but with a once-in-a-generation chance to improve under the new structure and new leadership.

**Q21**

**What arrangements for arranging workplace training and apprenticeships in other countries could New Zealand usefully learn from?**

**Page 21**

No ITI comment.

**Q22**

**Is the current architecture a good fit for a tertiary education system? What are its advantages and disadvantages? Are there good alternatives?**

**Page 24**

Innovation is stifled as the funding system punishes any failures and can do so for several years if student numbers are not met under a new programme. The incentive then is to continue to deliver safe programmes.

The system is often described (by officials) as high-trust/high-accountability. This is not totally accurate. It is low-trust/high-accountability, usually at the last minute. The level of compliance is excessive no matter how many times agencies say they “just want to get out of the way and let good providers get on with their work.”

An ITI member argues:

*“The agencies have moved to what they call a “high trust, high accountability” model where providers are valued and trusted and in return they are held accountable. In reality, this is a “low-trust, excessive accountability” model. The starting point is suspicion of providers that can only be allayed by complex and varied attestations and reporting. TEC audits and NZQA EER visits are notorious for*

*focussing in on levels of detail about often trivial issues that creates an adversarial relationship between agency and provider where trust rarely flourishes, if it is seen at all. While the aspiration for a “high trust, high accountability” model is admirable, it has to be more than words. In its implementation, both sides need to make some sacrifices. To date, there seems to be little will shown for this.”*

While writing this submission, ITI was also submitting on proposed Guidelines for the Code of Pastoral Care (a new set of rules for international education and complaints), Enhancements to the Educational Performance Indicators (an acknowledgement that these significant indicators – which are used for funding - are sub-par and have been for years) and Priority Student Visa Processing (which introduces a number of high – sometimes impossible hurdles – for PTEs to get priority visa processing for their students).

That is just the last month – there are also reviews of agents (ENZ), agents (INZ), offshore education (ENZ)...

On a more strategic level, a long standing ITI member notes:

*“A number of political decisions made by successive governments over a long period of time have resulted in perverse effects on the education system. They encourage behaviours that are either uneconomic, unsustainable or both. At worst, these decisions have indirectly allowed a small number of providers to engage in unethical behaviours that threaten the whole system.*

*While the political decisions in themselves may not at the time seem to be problematic, over time the implementation of these policies by the various agencies to achieve the ministerial directives has skewed the system. There seems to be little interest and less motivation to look at the system as a whole by the agencies in order to address the systemic issues.”*

This is one of the reasons why ITI believes the Productivity Commission inquiry is so important. It has the chance to make a real difference to the tertiary education sector.

A key issue is that the system has “too many moving parts.” One ITI member explains:

*“There are simply too many moving parts in the education system at every level. There are many different government agencies invested in success of the sector but this has resulted in them all desiring to play direct roles in its operation, often in conflict with others and to the detriment of providers and ultimately, students. The total system is almost impossible to navigate even for seasoned operators and there is perceived to be little collaboration between the government agencies. This is a barrier to the operation and success of the system. There are too many rules, too many sub-sectors and too many funds.”*

Government agencies are too involved in the system to objectively review the whole. An independent entity such as the Productivity Commission is the best chance for genuine change.

ITI notes that the PTE sector outperforms the government sector in many areas. However, there are constant Government and public concerns about the PTE sector due to a small number of poor performers. These poorer institutions can stay in business through exploiting a number of loopholes in the system. NZQA does an increasingly creditable job of weeding out these poorer performers, but it is still a slow process and needs to be tightened up.

**Q23**

**How effective is the TES instrument at giving government education agencies direction about prioritising resources and making trade-offs in carrying out their roles? What are the benefits and risks, in terms of fostering an innovative system, of a more or less directive TES?**

**Page 24**

It is very effective in focussing attention to discrete areas of education because they are rewarded by the funding and monitoring system. Providers can be precluded from new funding if they do not meet specified TES target areas. It does not really encourage innovation – simply more emphasis on showing how a provider is addressing the issues of the day/year.

An ITI member noted:

*“The government’s strategic directions for education are delivered by the Tertiary Education Strategy which is updated every five years. It should be updated every five months. By the time the new strategy has been developed, consulted upon and implemented, it is already out of date. In 2013 at a consultation roadshow about the TES, the presenter proudly stated that the new TES would have six priority areas which would be an improvement over the existing seven – implying that the TES would be perfect when they finally got it down to none.*

*The problem with the TES is the attempt to shoehorn the goals of a complex sector into six neat and tidy categories including skills for industry, at-risk young people, Maori and Pasifika, literacy and numeracy, research and international linkages. The TES is notable not for what it includes but what it excludes. It is a system designed for the margins (the under-served, and the over-achievers) but completely ignores the middle - the majority.*

*Of course it is essential that those groups traditionally marginalised both within the education sector and wider society are well served. Equally, we need to acknowledge the value of research and help build international linkages. The question is what about everything in between? Will the majority of students simply sail on within a system that is not designed for their success? Will they just be fine? Is “fine” good enough? The TES should have more priorities, not fewer. It should be inclusive of all students and responsive to all their needs.”*

**Q24**

**How do other instruments (eg, funding mechanisms, letters of expectation, budget initiatives) influence government agencies’ behaviour? How do these align with the TES instrument?**

**Page 24**

Funding mechanisms have the most influence because that is where the money is. Letters of Expectations are about expectations and Budget initiatives are often a surprise. Both however are at the margins compared to base funding mechanisms. They align to the TES only at a marginal level.

The funding mechanism also encourage (or even require) grade inflation to meet constantly increasing measurements. There is no way that student cohorts and/or teaching gets better year on year relentlessly – even up into the 90% where TEC still wants another 1% increase a year. It is not real.

**Q25**

**When do the TEC’s independent funding role and its Crown monitoring role align, and when are they in tension?**

**Page 25**

One of the frustrations about the investment plan process was TEC’s insistence that they approved plans but not the contents of the plans. This made it largely meaningless. A provider would signal in a plan they were expecting a drop in students the next year because they were moving campuses (an actual example) but still got their funding docked because student numbers dropped when they moved campus. What is the point of a plan when that happens?

The same provider also risked losing 10% of their funding when TEC suddenly targeted theological education (despite a lack of evidence). They had to switch 10% of their provision in a few days before Christmas. No organisation should have to operate like.

Q26

**What are the pros and cons of different quality assurance arrangements for universities to those for ITPs, wānanga, and PTEs?**

Page 26

The pro for the universities is that they basically monitor themselves and always pass.

The con is that while universities say their quality assurance arrangements are much better than everyone else's (and should therefore not be subject to any NZQA regulation), they are reluctant to share their best practices. It is a long standing joke in the sector that, when faced with new quality assurance measures - such as rules for off-shore education - the universities will say "they look good and should apply to everyone apart from us." That is a true story.

Over half of ITI members offer degrees and post-graduate qualifications. The quality assurance of universities can be problematic with one ITI member noting:

*"It is often assumed that PTEs only offer "training" (and this is due to the unfortunate inclusion of the word in our legislated designation). However, over time, PTEs have come to successfully offer programmes at all levels of the system including at undergraduate and postgraduate degree levels. At these higher levels, a number of PTEs perform well in the PBRF process and deliver extremely well.*

*However, when a PTE seeks approval from NZQA for a degree, it must include a representative from the university sector. This is far from a "high trust, high accountability" model. It also suggests that the university sector is the owner of all degrees. Surely if the approval processes of NZQA are deemed by the government to be robust enough to award degrees, then the imprimatur of the universities is not necessary. Or perhaps CUAP will recognise this and start requiring representatives of the PTE sector on their approval panels..."*

The last suggestion is probably aspirational, ironic or both. That does not mean it is a bad one.

Q27

**How do New Zealand's government institutional arrangements for tertiary education compare to those in other jurisdictions?**

Page 27

The New Zealand PTE sector is far better regulated than the "Wild West" of the Australian market. We do complain (rightly) about regulation and compliance here but it is far better – for students and providers – than the shonky Australian system.

Q28

**In what ways does a focus on educating international students complement or undermine the other goals of tertiary education providers?**

Page 31

Done well, international education adds to the educational and social experience of international students, domestic students, staff and the community. There are the obvious financial advantages to providers and businesses as well.

Done poorly, international students only interact with international students in ghettoised courses (this applies across the board). They may even be exploited or ripped off.

ITI made the conscious decision not to accept members who only provide international education. Our members must have at least 50 domestic EFTS as we believe a mix of students is generally the best model.

**Q29**

**What factors best explain the discrepancy between growing levels of tertiary education attainment without a significant productivity dividend?** Page 34

No ITI comment.

**Q30**

**What are the best measures to determine whether the tertiary education system is working well?** Page 36

Broadly – student achievement, student satisfaction, meeting industry skill needs, and value for money for the New Zealand taxpayer. Of course, each of those is difficult to measure objectively across the board.

**Q31**

**What other evidence is there about the influence of tertiary education system performance on graduate income premia in New Zealand?** Page 38

No ITI comment.

**Q32**

**To what extent are graduates meeting employers' expectations with respect to hard or technical skills? What about soft skills and capabilities?** Page 47

Again, we would suggest consulting with Business NZ on the employer perspective. ITI believes that education needs both economic (hard) and social (soft) skills in different mixes for different roles. We have long advocated the importance of so-called soft skills such as work readiness, teamwork, interaction and creativity. New Zealand has just launched three new qualifications solely in creativity which are thought to be world-first examples of their type.

Several recent Government documents have started referring more prominently to soft skills which is promising but this is not reflected in the TES, funding decisions or Budget initiatives. The TES in particular is seen as strongly economically focused and the Minister's statements reflect this.

**Q33**

**What are the significant trends in employer demand for tertiary-educated employees, and in student demand for tertiary education? How is the system responding?** Page 50

The system, if it is responding, is responding slowly.

**Q34**

**What is being done to develop, assess and certify non-cognitive skills in tertiary education in New Zealand? Do approaches vary across provider types, or between higher, vocational, and foundation education?** Page 51

No ITI comment.

**Q35****What are the implications of new technologies that are predicted to make many currently valuable skills obsolete? Will this change the role of the tertiary education system?****Page 53**

Clearly yes and it is already happening. People will have to expect to upskill more regularly than they had in the past – and employers will have to manage this trend if they want to keep valuable staff. For example, in the booming field of game animation, it is not about teaching students how to use a particular game engine that could well be obsolete in six months. It is about teaching them the fundamentals of animation, characters and storytelling, and then giving them the ability to learn the latest technology tools, perhaps well after they have left.

**Q36****What challenges and opportunities do demographic changes present for the tertiary education system?****Page 55**

The fundamental challenge is declining student numbers which means, on the current model, declining funding. On the predictions, PTEs hold up relatively well but the main challenge for us is probably going to be political. Public institutions and teacher unions, facing with declining rolls, will pressure the Government of the Day to divert money from “for-profit private companies” to “struggling under-funded public providers.”

ITI believes the Government must resist this almost inevitable pressure and stick to policies based on merit and evidence. If PTEs are meeting quality requirements and students are choosing to come to them, there should be no attempt (subtle or unsubtle) to push them into the public sector during a time of demographic challenge.

**Q37****What evidence is there on the effect of tuition fees on student access to, or the demand for, tertiary education in New Zealand?****Page 60**

There is limited evidence. Obviously nobody likes paying more but demand has continued to grow steadily for many years even with 4% or 3% fee increases year on year. The predicted drop in enrolments is based on demographic factors, not demand.

There are access issues for groups of students. This would be better addressed by the Government targeting more support to these specific students – rather than a universal system which subsidises every student the same.

**Q38****What are the likely impacts of domestic student fees increasing faster than inflation?****Page 60**

As recent media reports have demonstrated, this has been happening for some years without any meaningful impact on the surface. Of course, given the long-standing and historically low inflation rate this statistic is not nearly as surprising as it would have been in the 1980s or early 1990s when inflation was high.

The Baxter study (2012) quoted on page 59 is highly questionable. It finds that around a quarter of university students would stop studying if their fees were to double. Most observers would have picked that figure at much higher. The figure for international students was over 45% which the study said was “suggesting that international students are more price sensitive than domestic students.”

ITI would suggest this is because international fees are much higher (around 2 to 3 times - depending on the course and provider). That is why international students are more “price sensitive” – it is because of the price being doubled in the first place!

The finding is completely redundant as fees are not likely to double. The report would have been of more interest had it asked if they would stop studying if fees rose by 10% or 20%. Baxter's report should be given no weight in the next Productivity Commission paper.

**Q39**

**What impact has the pattern of government spending on tertiary education had on the tertiary education provided?**

**Page 61**

One clear example is providers looking to “top up” their Government and student funding with Compulsory Student Services Fees (CSSF). These were being increased at a sharp rate by universities and ITPs (it was unclear if PTEs could charge them and the vast majority did not), and there were concerns the money was being used for core activities which should have been funded as business as usual.

As a result, the Minister for Tertiary Education warned universities and ITPs to rein in the increases or he would regulate. They did not and now there is a Compulsory Student Service Fees direction every year – limiting the increases and requiring transparency about where the money is going.

For the PTE sector this has been a positive development as we can now confidently charge Compulsory Student Services Fees, often to recoup money on services previously provided from base funding. On the downside, PTEs are not all complying with the relatively simple reporting requirements and the Minister is not pleased. ITI has reminded members (only some of which charge the fees) of their legal obligations to report to the Ministry of Education annually.

**Q40**

**How have providers' input costs and revenue changed over time? What are the implications of these changes?**

**Page 62**

The graph in Figure 31 clearly shows a marked decrease in domestic fee income which has been replaced with an increase in international fees. This is a trend that shows a greater dependency on finding alternative revenue streams because the constraints applied to fee settings by TEC are putting significant financial pressure on providers. Some providers have proved to be very good at recruiting international students, but for others (particularly those where there is little international demand for their programmes) it can be a real struggle to maintain a sustainable revenue.

**Q41**

**How might Baumol's cost disease or Bowen's law (discussion of which tends to focus on providers like universities) apply in other parts of the tertiary education system?**

**Page 64**

An ITI member with a far greater understanding of economic models than the Executive Director has argued:

*“There may be merit in investigating further the application of Baumol's cost disease in relation to new models of tertiary education in New Zealand as it applies to technology. Recent global trends in technology (in both normal and disruptive modes) would perhaps contradict Baumol's ideas that services are not readily substituted by technology. Uber and AirBnB, for example, operate on models where services are enhanced (and to some extent supplanted) by technology. Capturing this idea of a closer relationship between services and technology (as opposed to Baumol's separation of them)*

could lead to exciting developments and new models of, tertiary education. This requires strong leadership and appropriate champions.

*Bowen's law has perhaps more application in markets where funding is less constrained than it is in New Zealand and fundraising is more prominent – the US, is a key example. Laws 1 and 4 (and to a lesser extent, Law 2) can be applied easily to New Zealand institutions, but Law 3 (“Each institution raises all the money it can”), while desirable, probably does not apply so much. If it does, it occurs mostly in the university sector.”*

**Q42****What specific technologies should the inquiry investigate? Why?****Page 67**

Whichever ones the Commission chooses will probably be getting out of date by the time the final report is released. ITI's advice would be to concentrate on trends regarding how students and providers are using technology rather than picking platforms. For example, in the year it will take this inquiry we may see the continued drop of Facebook, the near death of Twitter, the continued rise of Instagram and the explosion of something that has not even been thought of yet.

MOOCs are currently sexy but they could well be the next MySpace (remember that?)

**Q43****What parts of the tertiary education system are challenged by ongoing technological change? What parts can exploit the opportunities created?****Page 67**

Every level from marketing, recruitment, teaching, student support and back office support is challenged (and potentially benefits from) technological change. The greatest opportunities probably lie in marketing (particularly social media) and teaching. There are also opportunities in using emerging technologies that enhance student engagement including evaluation apps, online forums, student dashboards and online enrolment.

**Q44****How has internationalisation affected New Zealand's tertiary education system? What are the ongoing challenges and opportunities from internationalisation of the tertiary education system?****Page 71**

On page 69 of the report, it is disappointing to see a paragraph analysing the enrolment situation for universities but nothing about ITPs or PTEs. Instead of simply explaining why universities are dropping, a paragraph on why ITPs and PTEs are growing would have been more useful. Similarly, on page 70 the “different risks for PTE that largely or wholly serve the international market” is mentioned but not addressed.

Internationalisation has, on the whole, had a positive impact on New Zealand tertiary education and New Zealand. The challenges include our capacity to educate additional international students without reducing standards, political rhetoric (such as Winston Peters' recent attacks on student work rights), infrastructure pressure (including housing and transport), possible impacts on domestic students, an over-reliance on Auckland, and the reputational risk created by poor behaviour from some providers, employers and agents.

The opportunities include making our providers a more international learning experience, building networks and cross-cultural links, and of course the obvious (and substantial) financial rewards.

That said, there also needs to be more enabling and support of off-shore education. There are great opportunities for New Zealand institutions to operate abroad, both in collaboration with local providers or by themselves, but there are many barriers (particularly to Mode 3 delivery) within the New Zealand tertiary system that make this vital development very difficult.

Q45

**Is the “New Zealand” brand an important part of international competition for students, staff, and education products and services? What should providers and government do to manage or enhance this brand?**

Page 71

ITI members consider the New Zealand brand to be over-rated. It is a useful marketing tool at times but far too much time and particularly money has been focussed on it. As noted in the recent NZQA consultation document on guidelines to support the Code of Practice, most of our generic marketing shows sunlit beaches – which does not really reflect the architecture in the Auckland CBD or the temperature in Christchurch winters.

One ITI member sums it up:

*“We need to move beyond tourism style recruitment campaigns and instead explain the urban, cultural and educational opportunities that they will have when they come here. Sell the New Zealand experience, not the destination.”*

Q46

**What other trends provide challenges and opportunities for the tertiary education system?**

Page 71

A key will be New Zealand developing a robust industry in off-shore education and education services. We cannot hope to double the size of the international education industry by simply doubling the number of students coming here. We also need to focus on increasing the value (not just the volume) of international education.

The main challenge would be a major competitor (such as Australia or Canada) getting a jump on us. This could involve immigration settings, work rights, fees or technology. Other risks include economic downturns in key markets, damage to our reputation (including racism, fraud or violence), or domestic opposition to “foreigners”.

Q47

**What trends are likely to be most influential for the tertiary education system over the next 20 years?**

Page 71

If we knew that then we would be rich. Let’s go with “change and lots of it.”

Q48

**Are there other important types of new model that should be included within the scope of this inquiry?**

Page 74

Some ITI members have had experience partnering with other institutions to allow better pathways for students. However, these arrangements are often difficult to sustain as scale issues mean that there may be a lot of work to accommodate small student numbers. Improving technology could help these

opportunities work better. For example, the Pathway Visa scheme for international students is a very positive development.

**Q49**

**What new models of tertiary education are being implemented in universities, ITPs, PTEs and wānanga? How successful have they been?**

**Page 74**

The models provided in the issues paper appear to be comprehensive. It will be interesting to see if any other robust models emerge from this consultation.

**Q50**

**Are current quality assurance and accountability arrangements robust enough to support a wide range of new models?**

**Page 75**

No. The arrangements are increasingly based on metrics and spreadsheets rather than judgements. They struggle to deal with anything new. Government agencies are very risk averse and anything new is by definition risky. This is reflected in NZQA's recent decision to review their rules around off-shore delivery because uptake was much lower than expected. That is because they made it too risky and too hard for most providers to deliver off-shore.

**Q51**

**How might new models of tertiary education affect the New Zealand brand in the international market for tertiary education, students, education products and services?**

If New Zealand becomes a leader or even highly regarded in one of the new models then it will be of huge benefit. However, if we have high-profile failures in a new model then the impact will be hugely negative. That is always the risk.

**Q52**

**What can be learnt from the tertiary education systems of other countries? Are there models that could be usefully applied here?**

**Page 77**

Simply put – do not do anything that the Australians have done with their private tertiary and vocational training system. It is a disaster.

**Q53**

**What measures have been successful in improving access, participation, achievement and outcomes for Māori? What measures have been less successful? Why?**

**Page 78**

The PTE sector has a strong track record of greater success for Maori learners which is not reflected in the choice of examples on page 78 – there are no PTE highlighted. One of our members has a predominantly Maori and Pasifika student cohort, most of whom are second chance learners and usually on benefits, and has a phenomenal employment outcome history. They put it down to intensive pastoral care, personalised learning and cultural support.

Another member, also with high numbers of successful Maori and Pasifika learners, say they simply treat those students like any others. Everyone gets the same level of support and attention. Despite

their strong results, TEC has pushed back at the lack of specific provisions for Maori and Pasifika students. The message there seems to be “never mind the results – where is the process?”

Refer also to the answer for Q54.

**Q54**

**What measures have been successful in improving access, participation, achievement and outcomes for Pasifika? What measures have been less successful? Why?**

**Page 79**

Refer also to the answer for Q53.

There have been issues with achieving the government’s directive of all Maori and Pasifika students achieving at the same rate as the general population by 2018. This is an admirable goal but the policy settings to achieve it are crude and unmanageable.

It has filtered down to become a rule that all providers in a region must have the same proportion of Maori and Pasifika students as the region overall. However the rule does not take into account that these ethnic populations are not dispersed evenly across any given region. In Auckland, where the proportion of Pasifika is 18%, there are many excellent providers in South Auckland that serve this population well and have well over 50% Pasifika students (including several ITI members).

Conversely, there are providers in Central Auckland and the North Shore (including several ITI members) that struggle to achieve these numbers because there simply are not enough Pasifika students within reasonable transport distance that wish to undertake the subjects being offered. One member notes *“short of offering transport subsidies (a form of modern day bussing...) there is little we can do to increase these numbers, despite all the best intentions.”*

Providers must show in their Investment Plans how they are going to increase the proportion of Pasifika and must show increasing numbers each year or their funding is threatened. Perversely, those achieving 90% Pasifika students must show in their plans, an increase to at least 91% because that is how the system works. One ITI member was confronted by TEC during recent Investment Plan negotiations for having *“too many”* Maori and Pasifika students.

**Q55**

**What measures have been successful in improving access, participation, achievement and outcomes for at-risk youth? What measures have been less successful? Why?**

**Page 79**

The key challenge is that Government agencies can set the performance expectations too high. These are learners who are high-risk and have failed to engage with the education sector before. It is often too much to expect them to achieve instantly in the tertiary sector. It takes time and money to bring these learners through, but it is money well spent.

One ITI member was interrogated by TEC about why none of their 200 students in a particular course had found employment after completion. Their answer – “probably because they are still in jail. That course is specifically designed for prisoners. We worked hard with the Department of Corrections to develop it.”

**Q56**

**What measures have been successful in improving access, participation, achievement and outcomes for those with limited access to traditional campus-based provision? What measures have been less successful? Why?**

**Page 79**

No ITI comment.

**Q57**

**What measures have been successful in improving access, participation, achievement and outcomes for people with disabilities? What measures have been less successful? Why?**

**Page 79**

No ITI comment.

**Q58**

**What measures have been successful in improving access, participation, achievement and outcomes for adults with low levels of literacy or numeracy? What measures have been less successful? Why?**

**Page 79**

No ITI comment.

**Q59**

**How innovative do you consider the New Zealand tertiary education system is? Do you agree that there is “considerable inertia” in the system compared to other countries? If so, in what way and why?**

**Page 81**

The New Zealand system is not innovative. The Government agencies are risk-averse and the funding systems penalise failure (which is needed sometimes for innovation).

This a slightly cheeky paraphrase of the Government’s position but the is *“the Government only controls the number of students, the amount of funding available, the level of fees and what you can teach. Everything else is up to you.”*

The PTE sector has historically prided itself on innovation, flexibility and speed to market. Those abilities have all eroded in recent years.

**Q60**

**What are the factors associated with successful innovation in the tertiary education system?**

**Page 81**

No ITI comment.

**Q61**

**What are the benefits to innovators in the tertiary education system? What challenges do they face in capturing these benefits?**

**Page 81**

The main benefits are improved education, “first mover advantage” for the provider and providing an added attraction for students.

The main challenge is limited success or even failure which sees a providers’ funding slashed.

Q62

**What are the barriers to innovation in the tertiary education system? Page 81**  
**What might happen if those barriers are lowered?**

The current tertiary system works best when it is “steady as she goes – same as last year with a few changes at the margin.” It can cope well with that scenario. The problems arise when people want to do something new or innovative, but they are often met with the responses “that is not within the rules” or “that has never been done before so it is not allowed.” Actually, the latter is not a valid reason for not doing something. No one had flown before the Wright Brothers but that did not mean it was not possible, nor that it would revolutionise transport.

Lowering the barriers would increase innovation but only slowly as providers would still be wary that the rules would change again on them. The current system has taught them to be risk averse and relatively conservative. It would take some time for a new policy to bed in.

One ITI member reports:

*“New Zealand is internationally renowned for the ease of doing business and for establishing a business - would that this were true in the education sector! The time to market in this sector is prolonged, wasteful and full of barriers. Because of the cap on EFTS, it is very difficult to open a new business without demonstrating an unmet need and finding an availability of under consumed EFTS. The government and its agencies are not interested in fostering the establishment of new private providers (in fact they are deliberately focussed on reducing the number of them) and so are not active in supporting new businesses to arise.*

*In a free market, new players could join, establish themselves and compete for customers. In doing so they would take students away from poorer performing providers. In the current education market, a new player can't enter until they know all their customers beforehand and where the EFTS will come from. This keeps poor players in the market longer than necessary and constrains the entry of new and better players.*

*In addition, the Tertiary Education Commission has a number of arcane rules related to the development and changing of programmes that have negative effects on providers that discourages the development of new programmes and courses. This applies to brand new programmes and also the changing of components within existing programmes.*

*For example: In SAC funded courses at Level 3 and above, a provider may wish to change the course content or credit value of a component of a programme of study. If it is deemed to be a significant change (which could mean the change of credit value of 15% or more – while keeping the total credits of a programme the same) then the following TEC rules applies:*

- *If the course is new, we will then consider if the fee or course cost for the new course is consistent with the fees and course costs charged for existing similar courses on a dollar per equivalent full-time student (EFTS) unit basis.*
- *We expect the fees or course costs to be in the middle of the range of fees and course costs charged.*
- *Some courses do have higher than usual costs and therefore justify higher than usual fee/course costs. If the TEC is concerned about the level of fees or course costs proposed to be charged to students, we may discuss this with the TEO. We expect TEOs to be able to justify unusually high fees to ensure that access to public funding for those courses continues.*

*Although the concept “middle of the range” is not defined, it is the practice of TEC to use 75% as a guideline. Although the rule is not explicit, “fees and course costs charged” refer to the fees charged by all institutions in the same funding category. This means that if a provider has, say, responded to industry feedback and increased the credit value of a module pertaining to an industry need, the fee allowed to be charged for this revised (note: not new) module has now been set at 75% of the fees and costs charged elsewhere for something that may be similar. Or may not.*

*The fees charged for individual modules in any particular funding category are not publicly available – only TEC has access to the whole picture. With all the key cards held tightly to the agencies chest, it is impossible for a provider to know when making a change to a module what fees they will be allowed to charge for it until after the module has been changed and approved by NZQA to be offered. This is a significant disincentive for providers to change or improve their programmes. Without knowing what the top rate charged is in a particular funding category, providers are in the dark as to the risk of losing funding when they make a change to a module. It is highly likely that any change will result in a reduction of fees earned.*

*It may be explained away by a desire to avoid “fee creep” but it comes at the cost of innovation, growth and development in the sector.”*

**Q63**

**How well do innovations spread in the tertiary education system? What helps or hinders their diffusion?** **Page 81**

The short answer is relatively poorly. In the main part these is because providers have taken all the risks and made all the investment to develop an innovation, and are (understandably) reluctant to share it for free with providers who may be competing with them.

Bothe ITI and ITENZ (our fellow PTE peak body) have been encouraging members to collaborate and share best practice at meetings and conferences. The level of engagement within ITI has been heartening and this year we will be hosting a two day mini conference bringing together staff to discuss best practice and innovation in multiple areas.

**Q64**

**How successful was the Encouraging and Supporting Innovation fund in promoting innovation in the tertiary sector? What evidence supports your view?** **Page 83**

ITI members saw no benefit from this fund. The Government has a relatively poor track record in directly funding innovation.

The evidence is that the fund was abolished without protest.

**Q65**

**Are there examples where the New Zealand Government has directly purchased innovation or innovative capacity in tertiary education? If so, was it successful?** **Page 83**

In general, additional Government funding can free up providers to develop general innovative capacity (if the policy settings are right). Government attempts to directly purchase innovation or innovative capacity have not been successful. The Government is not good at “picking winners”, but can throw money at proven winners (such as the super yacht business) then claim some of the credit.

**Q66**

**How easy or hard is it for a new provider or ITO to access TEC funding?** **Page 84**

ITI takes issue with the assertion on page 83 that “the barriers to market entry are lower for PTEs. They must apply to NZQA for registration and renew it each year.”

While it is certainly easier to establish a new PTE than a new university (and the universities have made it deliberately hard), characterising PTE entry as simply registering and renewing with NZQA is an understatement (at best). SAC funded PTEs are bombarded with attestations, financial statements, EERs, audits, financial viability, investment plans, Single Data Returns (ironically there are a number of them), performance reporting and so on. Most PTEs would probably like the situation to be as simple as renewing their NZQA registration every year.

**Q67**

**Does the programme or qualification approval process via NZQA or CUAP enable or hinder innovation? Why?** **Page 85**

It clearly hinders it. The process is slow and cumbersome. In addition, the Targeted Review of Qualification (TRoQ) is designed to deliver a far smaller number of far more generic qualifications. This reduces the incentive to innovate as a providers' qualification (from the outside) will look exactly the same as a non-innovative provider.

**Q68**

**What impact has Performance-Linked Funding had on providers' incentives to innovate?** **Page 86**

"Performance-Linked Funding" has had a strongly negative impact on providers' incentives to innovate.

ITI has been a long-time support of performance based funding and we dearly wish it operated in New Zealand. Unfortunately it does not. The current system is only half the equation because there are only penalties and no rewards. It is all stick and no tasty carrot. As it stands, Performance-Linked Funding could be better described as "Non-Performance Linked Funding." It makes providers more cautious about innovation as they have little (financially) to gain and potentially a lot to lose if innovation does not work out.

**Q69**

**How much does funding shift between PTEs based on assessments of performance? Whose assessments are they, and what are they based on?** **Page 88**

Funding shifts between PTEs is limited and is based on TEC's decisions. TEC can consider a range of factors including performance/non-performance, under-delivery, closure, changes in the mix of provision, regional factors and Government priorities. For example, the Government last year looked to reduce the amount of provision in theological studies and hairdressing by requiring providers to shift funding to other areas or lose it.

In general, the shift of funds from under-performing PTEs to quality PTEs, while welcome, is slow and unpredictable.

**Q70**

**How much does funding shift inside a TEI (eg, between courses, academics, or faculties) based on assessments of performance? Whose assessments are they, and what are they based on?** **Page 89**

No ITI comment.

**Q71**

**What influences tertiary providers towards offering a broad or narrow range of course offerings? What are the advantages and disadvantages (for providers, students, and the sector as a whole) of a relatively homogenous system?**

**Page 89**

For PTEs, we have long been forced by Government to offer a (relatively) narrow range of courses because we had to specialise, be a “niche” provider (we hate that word) or fill in gaps in the public education sector (we hate that condescending role too).

PTEs do tend to deliver a relatively narrow range of courses which enables them to become expert providers, remain in touch with their students and strengthen industry links. Moving to a “relatively homogenous system” would strip the system of much variety and responsiveness in favour of larger generalist institutions.

**Q72**

**Do New Zealand’s tertiary policy and regulatory frameworks enable or hinder innovation? What might happen if existing constraints are loosened?**

**Page 90**

Refer to the answers to Q59 and Q62.

**Q73**

**How do intellectual property protections in tertiary education foster or hinder innovation? Are the effects different in different parts of the system or for different kinds of provider?**

**Page 91**

One of the biggest threats to intellectual property is the Targeted Review of Qualifications. In developing generic qualifications (which many do not want), providers have to share intellectual property built up over considerable time using their own money and are worried that it could be used by competitors for free. This issue only applies below Level 7.

**Q74**

**How does the Crown’s approach to its ownership role affect TEI behaviour? Is it conducive to innovation?**

**Page 92**

It is asserted on page 92 that the implicit Government guarantee for public institutions reduces the chances of financial failure for a TEI. This is not true. The guarantee simply covers the loss and ensures the provider will keep on going regardless. If anything, this encourages financial laxity (because you cannot lose) while at the same time discouraging innovation (because why do you need to win).

On the same page it is argued that “PTEs can also fail, and its owners may not be as inclined as a government owner to bail it out.” There are three key points:

- 1) When PTEs fail then, they may close. That is not the case for TEIs.
- 2) When PTEs close then the owners are liable and lose their own money. This is not the case for TEIs.
- 3) A PTE owner “bailing out” a troubled provider is using their own money. The TEI is using taxpayer’s money.

ITI considers this section grossly underestimates the commitment of PTE owners and the risks they take, compared to the security of an “implicit Government guarantee”. It would be informative to see

how many TEIs would like to move to the personal risk model of PTEs (not many, we suspect) compared to the number of PTEs who would welcome an “implicit Government guarantee” of their existence (there may be a long line).

Q75

**Do regulatory or funding settings encourage or discourage providers from engaging in joint ventures? If so, how?** Page 93

A number of Government funds (including TEC contestable funding and Education New Zealand project funding) actively encourages (or even requires) collaboration of joint ventures.

Q76

**How do regulatory or funding settings encourage or discourage providers from seeking external investment?** Page 93

No ITI comment.

Q77

**How do tertiary providers create incentives for internal participants to innovate? What kinds of choices by providers have the biggest “downstream effects” on their level of innovation?** Page 93

No ITI comment.

Q78

**What incentives do government education agencies have to innovate in the way they carry out their functions, both within and across agencies? What constraints do they face?** Page 94

They have no real incentives – only penalties when they get it wrong.

Inter-agency co-operation has improved but there are still large gaps. For example, the Ministry of Education, in their guidelines for the international student Code of Practice, seemed unaware that Immigration New Zealand was recommending that providers require all their education agents to sign a waiver releasing all their performance information (including involvement in declined and/or fraudulent applications). This is something the two agencies should have discussed well in advance. It should not be left up to a humble PTE peak body to connect the dots for them.

**Additional ITI comment:** On page 121 there is a reference to the Innovations in Tertiary Education Delivery Summit 2014 report to a key theme of “roadblocks to change” (number 4). ITI believes this is a crucial issue and the Productivity Commission’s next report could do well to include “roadblocks to change” as a specific chapter. The sector would welcome an authoritative list of roadblocks that need to go.