



Office of Hon Bill English

Deputy Prime Minister
Minister of Finance
Minister Responsible for HNZC

30 OCT 2015

Mr Murray Sherwin
Chair
Productivity Commission
PO Box 8036
The Terrace
WELLINGTON 6143

Dear Murray

TERMS OF REFERENCE FOR INQUIRIES INTO THE SYSTEM OF URBAN PLANNING IN NEW ZEALAND AND NEW MODELS OF TERTIARY EDUCATION

I am pleased to refer to you the Terms of Reference for Productivity Commission inquires into *The System of Urban Planning in New Zealand* and *New Models of Tertiary Education*.

The inquiry into *The System of Urban Planning in New Zealand* will review New Zealand's urban planning system and identify, from first principles, the most appropriate system for allocating land use through this system to support desirable social, economic, environmental and cultural outcomes.

The inquiry into *New Models of Tertiary Education* will focus on how trends, especially in technology, tuition costs, skill demand, demography and internationalisation may drive changes in business models and delivery models in the tertiary sector.

I wish you all the best as you commence these inquires and look forward to your results.

Yours sincerely

Hon Bill English
Minister of Finance

Terms of Reference – New Zealand Productivity Commission Inquiry into New Models of Tertiary Education

Issued by the Minister of Finance and the Minister for Tertiary Education, Skills and Employment (the “referring Ministers”).

Pursuant to sections 9 and 11 of the New Zealand Productivity Commission Act 2010, we hereby request that the New Zealand Productivity Commission (“the Commission”) undertake an inquiry into new models of tertiary education.

Context

The tertiary education sector has adapted to significant change in the last two decades, with growing and changing demand for and participation in higher education, growing internationalisation, and the increasing importance of skills in the economy.

However, the sector operates in a dynamic environment where several key trends are likely to accelerate, offering strategic challenges and opportunities. These trends include:

- Ongoing technological change – offering new ways to deliver higher education programmes and more choice for students, and challenging traditional organisational and operating models.
- Increasing tuition costs.
- Increasing internationalisation of the tertiary education sector including: the growth and rising quality of universities and research organisations in Asia; competition internationally for students, academics and research investment; the growth of export education; and the acceleration of the English language as the language of global business and research.
- Changes in employer demand and student demand, including changes in the types of skills demanded; demand for options to combine study with work and other commitments; and demand for on-job and mid-career re-training.
- Demographic change – an ageing and more diverse population. New Zealand’s demography is set to reduce the number of domestic tertiary students for the next few years.

It was apparent at the 2014 Innovations in Tertiary Education Delivery Summit (ITES) that there are numerous emerging models of provision, but considerable inertia in New Zealand where tertiary providers appear reluctant to be “first movers” or “early adopters” shifting away from the traditional models. Yet ongoing change in the tertiary system is taking place influenced by the Tertiary Education Strategy (2014-19).

In comparison, some overseas tertiary providers appear to be faster and more ambitious in adapting to these trends, and in using new technology to respond to changing demand and improving the quality of education and research.

Scope

The focus of the inquiry will be on how trends, especially in technology, tuition costs, skill demand, demography and internationalisation, may drive changes in business models and delivery models in the tertiary sector.

The inquiry will take a whole-of-system perspective focussing on Crown Tertiary Education Institutions (i.e. universities, polytechnics and wānanga) as well as private tertiary providers.

In undertaking the inquiry, the Commission should consider both demand and supply factors (including market, institutional and policy constraints) relevant to the adoption of new models of tertiary education, as well as looking broadly across what new models there are or what might emerge.

The Commission should use its knowledge of the tertiary education system, innovation and productivity performance to provide new insights drawing on new and existing sources of information. The Commission should also use its emphasis on public engagement and links with the OECD and other international agencies.

For the purposes of the inquiry the Commission should:

- Examine the key trends likely to drive strategic challenges and opportunities for New Zealand tertiary providers, including changes in technology, tuition costs, employer and student demand, demographics and internationalisation
- Draw on the Tertiary Education Strategy and the main challenges in tertiary education identified by the OECD¹ to assess the potential impacts of the trends and new models on the New Zealand tertiary system.
- Identify the potential barriers to innovation that could be addressed by government and providers to increase the benefits from adopting new models of tertiary education. This will include for example:
 - Policy and regulatory settings that govern tertiary providers.
 - The risks perceived by tertiary providers that may make them slow to innovate and develop alternative delivery models.
 - Internal change by tertiary providers and their sector bodies.
- Review and analyse evidence of success factors associated with innovative tertiary business and delivery models. This will include:
 - Exploring effective overseas models and their applicability in the New Zealand context.
 - Drawing where applicable on the business and delivery models identified through the 2014 Innovations in Tertiary Education Delivery Summit (ITES).
- Explore the options for changes to education funding and pricing mechanisms that may be required to facilitate new models of tertiary education. The focus will be on pricing and fee-setting and not on student support (i.e. student loans and allowances).
- Explore the implications new tertiary models could have for the quality of tertiary education, including transparency, quality assurance and accountability, and the cost of provision.
- Consider the different activities and markets within tertiary education and how this might change with new tertiary models (e.g. assessment, certification, the need for flexible, work-orientated study, and the need for face-to face teaching and pastoral support).
- Investigate opportunities through new tertiary models to improve access, participation and achievement in tertiary education of priority groups such as: Māori and Pasifika; at-risk youth; and those with limited access to traditional campus-based provision.

¹ Refer <http://www.oecd.org/education/skills-beyond-school/44007619.pdf>

- Consider the impact of overseas domiciled providers on the New Zealand tertiary system.
- Explore the implications new models of tertiary education could have for New Zealand's position in the international market for tertiary educators, students, education products and services.

Policy findings and recommendations should address the challenges and opportunities as well as the levers available to government and the actions required by tertiary providers to increase responsiveness to new ways of delivering tertiary education. Consideration should also be given to links with the recommendations from the Productivity Commission's reports on 'Boosting Productivity in the Services Sector' and 'More Effective Social Services'.

Fit with existing work

The Productivity Commission has a comparative advantage as an independent agency to provide fresh insights into demand, supply and other factors relevant to the adoption of new models of tertiary education, as well as looking broadly across new and emerging models. The Commission will build on its existing programme of analytical and empirical research on the productivity performance of the New Zealand economy in both the public and private sectors.

This inquiry will complement, and is not intended to replicate, work being undertaken on Skilled and Safe Work Places and would contribute to the Business Growth Agenda.

Consultation requirements

In undertaking this inquiry, the Commissions should:

- work closely with the Ministry of Education, the Tertiary Education Commission and Ministry of Business Innovation and Employment.
- consult with key interest groups and affected parties including tertiary providers, students, employers and their representatives as well as academics and international agencies as required.

Timeframes

The Commission must publish a draft report and/or discussion document, for public comment, followed by a final report that must be presented to referring Ministers by 28 February 2017.

HON BILL ENGLISH, MINISTER OF FINANCE

HON STEVEN JOYCE, MINISTER FOR TERTIARY EDUCATION, SKILLS AND EMPLOYMENT