



Briefing Note: Private Training Establishments Sector Update

To:	Hon Chris Hipkins, Minister of Education		
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Purpose of Report

This paper provides you with information on the state of the Private Training Establishment (PTE) sector, and anticipated impacts once targeted Government funding expires in June 2021.

Recommendations

The Ministry of Education recommends you:

- a. **Agree** that this briefing will be proactively released once it has been considered by you.

Agree **Disagree**



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18/06/2021



Hon Chris Hipkins
Minister of Education

28/6/2021

State of the sector

The PTE sector can play an important role in the education pipeline

1. PTEs are privately operated firms offering post-school education, including vocational training and other areas of learning. They can vary significantly in terms of size, focus areas and resources. Some PTEs play an important role in the education pipeline by providing education services to short-term visitors to New Zealand and international students pathwaying to further study. Others contribute to their region's economic development and skill needs. In 2019, the PTE sector generated approximately \$250 million in tuition fee revenue from international students.
2. The number of registered PTEs has steadily declined over the last few years. Some of this decline can be attributed to acquisitions and mergers in the sector. Recent regulatory changes have also led to the closure of some low-quality PTEs.

Some parts of the sector have been more impacted by COVID-19 than others

3. The PTE sector is generally more agile than other sectors, and PTEs are able to move into new programmes and to expand or reduce programmes quickly as demand changes. Its largest cost is staffing, with rent and leases also a significant cost. As many of the staff employed are on part-time, short-term contracts, PTEs control costs by quickly engaging or releasing staff with changed demand. With the COVID-19 lockdowns many PTEs immediately reduced their part-time, short-term staff and significantly reduced their expenditure in 2020. Nevertheless, the sector reported \$80 million less revenue from international students for 2020 (based on preliminary Export Education Levy data).
4. The extent of Covid-19 impacts on individual PTEs varied depending on factors such as exposure to international students and the nature and level of their fixed costs. As the Tertiary Education Commission (TEC) largely funds domestic student enrolments in PTEs, these impacts largely fell on the part of the sector that does not receive any TEC funding.

PTEs who cater largely to the domestic system have shown little change in viability

5. In 2019, the TEC funded 75 PTEs with international students. Funded PTEs offer education and training in a wide range of areas, including aviation, hospitality, information technology and vocational education. Funded PTEs (particularly those who cater largely to the domestic system) showed little change in their forecasted financial viability in 2020. Some PTEs delivering priority programmes have seen increasing demand from domestic students, and a large number have also benefited from Crown initiatives to address the impact of Covid-19.
6. The table below shows changes in the funded PTE sector over 2019 and 2020. Only one funded PTE is currently in hibernation. Since March 2020, only two funded PTEs have fully closed due to COVID-19. Most other de-registrations were voluntary (for example due to consolidation in the PTE sector via mergers and acquisitions).

Table 1. Funded PTEs at a glance (2019 and 2020)

	2019		2020	
	Domestic	International	Domestic	International
Number of students	47,475	10,065	48,115	7805
Tuition fee revenue	N/A	\$111,063,748	N/A	\$113,989,156

7. Based on preliminary forecasts received to date¹, the majority of the funded PTE sector is likely to remain relatively stable in 2021 due to high numbers of domestic enrolments. TEC reports that most funded PTEs are likely to continue to meet TEC's financial viability requirements. At this stage, around nine PTEs are in high financial risk or at risk of closure, 9(2)(b)(ii)
8. However, the longer that borders remain substantively closed, the more likely that funded PTEs which also operate in the international education market will experience financial difficulty.

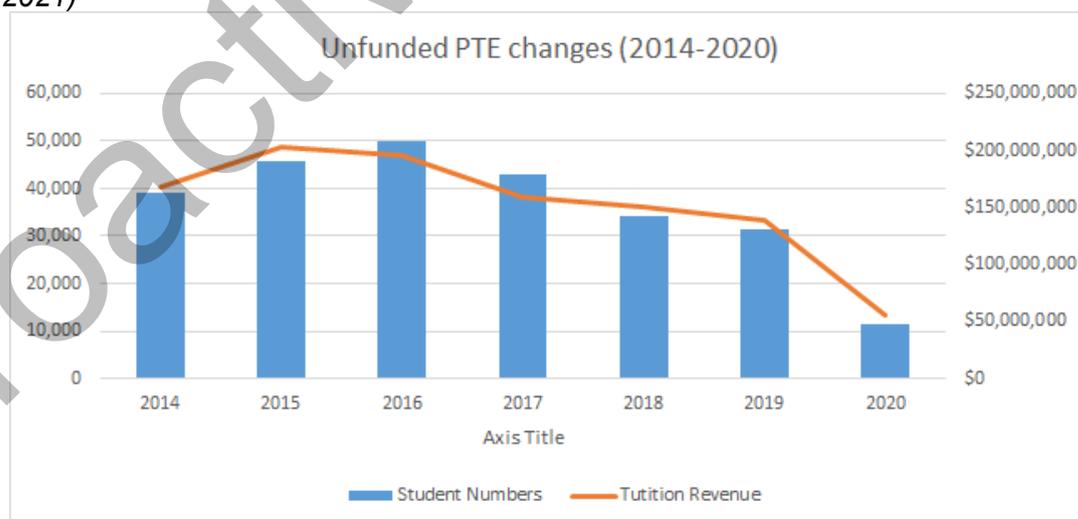
PTEs more reliant on international students were harder hit

9. PTEs that do not receive any TEC funding are more reliant on international students. While some domestic students attend these PTEs, the numbers are very small (and are therefore not currently captured in existing data sources). There were 80 unfunded PTEs in 2019. A significant part of the unfunded PTE sector is English language schools.
10. The table and figures below show changes in the unfunded PTE sector over time, with an estimated 60% decline in international student tuition fee revenue for unfunded PTEs in 2020 compared to 2019 (Ministry of Education estimate drawing on visa data). Eight unfunded PTEs are currently in hibernation. Since March 2020, 13 unfunded PTEs have fully closed (i.e. de-registered).

Table 2. Unfunded PTEs at a glance (2019 and 2020)

	2019		2020	
	Domestic	International	Domestic	International
Number of students	N/A	30,135	N/A	11,510
Tuition fee revenue	N/A	\$135,273,236	N/A	\$55,104,584

Figure 1. International student numbers & tuition fee revenue at unfunded PTEs (2014-2021)



¹ 60% of TEC-funded PTEs have a financial year end of 31 December 2021 and were therefore due to submit their 2020 financial results to TEC by 31 May 2021. Results from these PTEs have yet to be analysed and included in the data in this paper.

11. Based on preliminary forecasts, this downward trend is likely to continue in 2021 for unfunded PTEs.

As targeted financial assistance provided by Government will expire in June 2021, many unfunded PTEs are likely to close without further Government support

12. In 2020, as part of the International Education Strategic Recovery Plan, the Government set up the Private Training Establishment Targeted Assistance Fund (PTE TAF) to provide financial support to PTEs impacted by Covid-19.²
13. \$9.9 million was allocated to the PTE TAF for the 2020/2021 financial year (with \$0.1 million to the TEC for administrative costs). A total of \$8.1 million was distributed to support 22 PTEs (18 of which were English language providers) assessed by the TEC to have met the eligibility criteria under the PTE. Funding enabled the continued operation of the PTE at a minimum viable level (covering operational and capital costs), or supported hibernation costs so the PTE is quickly able to re-open once students are able to return. This funding expires in June 2021.
14. The PTE TAF was set up at a time of significant uncertainty, and borders have remained closed for longer than initially anticipated. Without further funding, and the continued inability of this student cohort to enter New Zealand, we can expect a higher proportion of unfunded PTEs to close within the next year (including some PTEs that were supported through the PTE TAF). This would mean that the rebuild of the unfunded PTE sector will be largely reliant on future market demand and available resources.
15. There is a risk of permanent losing strategically important, award-winning unfunded PTEs (particularly if staff with specialist skills and expertise leave the sector). It could also lead to the loss of a pathway to higher level study (e.g. through English language schools). Such closures could affect the attractiveness of New Zealand's education offering overseas.
16. Officials have considered a range of alternative support options for the sector, including providing business advice support for PTEs and reducing regulatory compliance costs (such as the NZQA registration cost). However, in lieu of further financial support, any alternative support options are unlikely to provide substantive benefits to struggling PTEs.

Next steps

17. Officials will continue to monitor the situation and provide you with further advice if required.

² In addition to this direct funding support, \$1.5 million was allocated through the PTE ESOL Provision Fund to expand delivery of English language training to partners and dependents of New Zealand citizens and residents.