

Cabinet Paper material

Proactive release

Minister & portfolio	Hon Chris Hipkins, Minister of Education
Name of package	Export Education Levy 2022 Suspension
Date considered	18 October 2021
Date of release	19 May 2022

These documents have been proactively released:

Cabinet Paper: Export Education Levy 2022 Suspension
Attachment: Regulatory Impact Analysis
Date considered: 18 October 2021
Author: Minister of Education

Cabinet Minute: CAB-21-MIN-0416
Date considered: 18 October 2021
Author: Cabinet office

Cabinet Minute: CBC-21-MIN-0109
Date considered: 6 October 2021
Author: Cabinet office

Material redacted

Some deletions have been made from the documents in line with withholding grounds under the Official Information Act 1982. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

The applicable withholding grounds under the Act are as follows:

Section 9(2)(f)(iv) to protect the confidentiality of advice tendered by Ministers of the Crown and officials

Some deletions have been made from the documents in line with withholding grounds under the Official Information Act 1982. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

You can read the Official Information Act 1982 here:

<http://legislation.govt.nz/act/public/1982/0156/latest/DLM64785.html>



Cabinet


Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Report of the Cabinet Business Committee: Period Ended 8 October 2021

On 18 October 2021, Cabinet made the following decisions on the work of the Cabinet Business Committee for the period ended 8 October 2021:

Out of scope




CBC-21-MIN-0109


Export Education Levy 2022 Suspension
Portfolio: Education

CONFIRMED

Out of scope



Out of scope



Michael Webster
Secretary of the Cabinet



Cabinet Business Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Export Education Levy 2022 Suspension

Portfolio **Education**

On 6 October 2021, the Cabinet Business Committee:

- 1 **noted** that COVID-19 has led to significant declines in international education student volumes and therefore in expected revenue collected by the Export Education Levy (EEL) that would usually fund certain services mandated by the Education (Export Education Levy) Regulations 2011;
- 2 **noted** that the international education sector is expected to be under more pressure in 2022 than 2020 and 2021;
- 3 **noted** that removing the obligation to pay the EEL for 2022 provides a signal of support to the international education sector;
- 4 **noted** that options to manage revenue loss will be considered, including reducing services 9(2)(f)(iv) [REDACTED];
- 5 **noted** that a levy suspension cannot be implemented retrospectively through regulations, 9(2)(f)(iv) [REDACTED];
- 6 **agreed** to remove the obligation to pay the EEL for the 2022 calendar year;
- 7 **invited** the Minister of Education to instruct the Parliamentary Counsel Office to draft regulations to give effect to the decision in paragraph 6 above.

Jenny Vickers
Committee Secretary

Present:

Rt Hon Jacinda Ardern (Chair)
Hon Grant Robertson
Hon Kelvin Davis
Hon Dr Megan Woods
Hon Chris Hipkins
Hon Carmel Sepuloni
Hon Andrew Little
Hon David Parker
Hon Nanaia Mahuta
Hon Poto Williams
Hon Kris Faafoi
Hon Jan Tinetti
Hon Dr David Clark

Officials present from:

Office of the Prime Minister
Department of the Prime Minister and Cabinet

In Confidence

Office of the Minister of Education

Cabinet Business Committee

Export Education Levy 2022 Suspension

Proposal

- 1 This paper seeks agreement to amend the Export Education Levy (EEL) regulations so that no levy is payable for the period from 1 January 2022 to 31 December 2022.

Relation to government priorities

- 2 An overarching policy goal communicated in the Budget Policy Statement 2021 is to accelerate the recovery and rebuild from the impacts of COVID-19. This limited proposal is a signal of support for the international education sector in its recovery and rebuild.

Executive Summary

- 3 International student numbers are significantly down creating hardship for providers and reducing Export Education Levy revenue. International Education is one of the sectors most impacted by COVID-19.
- 4 This paper seeks approval to extend the current suspension of levy payment obligations, for the 2022 year. This will support the international education sector.
- 5 If the proposal is agreed, then the next step is Parliamentary Counsel Office drafting amended Export Education Levy regulations followed by Cabinet Legislation Committee.

Background

- 6 In 2003, the Government introduced the EEL to fund a clearly defined set of activities that benefit the international education sector and New Zealand's international reputation. The EEL is now authorised by section 641 of the Education and Training Act 2020.
- 7 The EEL is payable by any education provider that enrolls international fee-paying students. The EEL is set at 0.89% of international student tuition fee income for private training establishments (PTEs), and 0.50% for all other providers.
- 8 In response to COVID-19, EEL payment obligations were cancelled for international fee-paying students enrolled between 1 January 2020 and 31 December 2021. This suspension of EEL obligations was actioned in the Education and Training Act 2020.

- 9 The EEL collected \$2.2m from providers for the financial year ended 30 June 2020, and no income for the financial year ended 30 June 2021. This compares to \$6.4m for the year ended 30 June 2019. The 2019 result was achieved in a pre-COVID environment of around 110,000 international fee-paying students.
- 10 Immigration New Zealand data suggests international student numbers in New Zealand of 20,800 as at 5 September 2021. We expect this number to fall to around 15,000 for 2022 as students complete and leave courses, with limited ability to bring in new students.
- 11 Student numbers will likely be slightly higher as student visa data doesn't capture people who are studying on some types of visa such as a visitor visa holder who is studying a short course.
- 12 The border remains an important part of our COVID-19 Elimination Strategy, Aotearoa New Zealand's sustained approach to keep it out, find it and stamp it out. Especially while we build protection against the virus in the community and progress towards allowing safe reconnection with other countries.

Falling international enrolments continue to impact the Sector and the Export Education Levy

- 13 From the beginning of 2020, the COVID-19 pandemic caused major disruptions to international travel and education. This continued throughout the 2020/21 year. While the majority of domestic student focussed providers were able to recommence face-to-face education by May 2020, New Zealand's COVID-19 related border closures enacted in March 2020 prevented new international students from entering the country.
- 14 In addition, a large number of international students in New Zealand when the border closed subsequently returned to their home countries. A few of the tertiary students have since returned as a result of the Government's agreement to two border class exceptions for international tertiary students: 250 PhD and post-graduate students agreed in October 2020 and 1,000 returning Bachelor's degree and post-graduate students agreed in December 2020.
- 15 With very few new international students in 2020 and 2021, there will be a long-term impact on EEL revenue as much smaller cohorts move through the system. When international students can return to New Zealand, numbers will likely take considerable time to rebuild.
- 16 The table below provides a prediction for student numbers and the resulting EEL revenue. The fall in EEL revenue directly correlates with a fall in tuition fee revenue for the sector. The prediction is less certain in outer years, officials will look to update as the border situation or immigration policy settings change.

Levy revenue expectations

	2022	2023	2024	2025	2026
Predicted Students	14,500	10,000	10,500	21,500	32,000
Predicted Levy Income	\$1.3m	\$0.9m	\$1.0m	\$1.9m	\$2.8m

Providers that focus on International Education will be under even more pressure in 2022

- 17 Providers are struggling financially due to lower international student enrolments, and there remains uncertainty about the potential scale of international student revenue over the next few years. We need providers with high quality provision to remain financially viable and focus on retaining capability, maintaining quality, and supporting student wellbeing. Cancelling payment obligations provides some financial relief, alongside other measures.
- 18 Prior to the COVID-19 pandemic, shifts in policies and settings were already starting to achieve the key goals of the International Education Strategy. COVID-19 has significantly disrupted the sector, and its impact is likely to worsen over the short to medium term. This provides an opportunity to accelerate the 'high value' strategic shift signalled in the International Education Strategy and embed this in the sectors rebuild.
- 19 I am currently consulting with the sector on what high-value means for international education. This will then inform our work and the shifts we support the sector to make. I expect the sector will value relief from the levy while we work through this direction together.

Suspending the obligation to pay the EEL for 2022 provides targeted support to operating providers and a signal of support

- 20 In my view the benefits of suspending the EEL for 2022 include:
 - 20.1 sending a signal to the sector that government is prepared to support providers to rebuild (in line with the aims of the Recovery Plan), by enabling them to redirect these funds to best support their business.
 - 20.2 providing support in this way targets providers that are currently operating, are continuing to provide education services to international, and in many cases domestic students.
 - 20.3 providers may not see the benefit of some levy expenditure categories in the current environment.
 - 20.4 providing time to review the EEL to test if it is fit for purpose.
 - 20.5 a reduction in the levy administration burden for providers and the Ministry of Education, given expected low revenue.
- 21 I recognise that this will mean a prolonged period where the sector has not paid the levy and a reduction in service levels if levy revenue is not replaced by Crown funding.

There are options to manage the revenue loss associated with a further suspension

- 22 As of 30 June 2021, the levy account had total current assets of \$3.5m. The levy borrowed from the Ministry of Education to support students impacted by the failure of providers in 2018/19. As a result, the EEL fund has non-current liabilities of \$4m.
- 23 The Ministry of Education is currently reviewing the Export Education Levy to ensure it is still fit for purpose given the expected operating environment for international education.
- 24 In 2020, we replaced revenue expected to be collected by the EEL with funding from the COVID-19 Response and Recovery Fund (CRRF) – CAB-20-MIN-0219.27 and CAB-20-MIN-0328.22 refer. This included \$6.61m for 2021/22. With expected EEL revenue of \$1.3m in 2022 if the levy restarts, 9(2)(f)(iv) regardless of our decisions on the proposed suspension.
- 25 Implementation of the fee suspension through regulation changes is required 9(2)(f)(iv). I consider we can explore a combination of three options to manage the impacts of lower EEL revenue:
- 25.1 reduce expenditure on international education supports
- 25.2 9(2)(f)(iv)
- 25.3 repurpose existing funding.

Non-discretionary expenditure

- 26 There is little discretion on the costs of some activities funded by the levy:
- 26.1 NZQA international Code administration. The EEL supports applications processing (to be a Code signatory for international students), advice and support for providers (schools and tertiary), provision of guidelines, best practice resources, and investigation of complaints and breaches. The international portion of code administration costs \$0.723m a year.
- 26.2 Code of Practice dispute resolution service. \$0.233m a year.
- 26.3 The Ministry of Education has responsibility for reimbursing international students affected by the closure of PTEs, individual PTE programmes, or private schools. Reimbursements are triggered by closures due to the quality of education, closures for other reasons are normally be covered by provisions made under the Student Fee Protection Rules. This function protects the reputation of the sector. As an insurance like product annual costs are hard to predict, in 2019/20 we budgeted \$1.5m, this should be able to reduce with fewer students to cover.
- 26.4 Administration of the Levy by the Ministry of Education, estimated at \$0.400m per year, in the past some of this has been met by baselines with tagged funding of \$0.148 in 2021/22.

Other International Education EEL-funded expenditure

- 27 Important, but to some extent discretionary expenditure includes:
- 27.1 Promotion, marketing, research and industry development by Education New Zealand, as part of their baseline, \$3.266m a year.
 - 27.2 International Student Wellbeing Strategy initiatives, up to \$0.750m but would be \$0.150m in proportion to current student levels. In the past this has funded activities like peer-mentoring models, mental wellbeing, induction resources, and leadership amongst female international students.
- 28 On this basis we expect the funding needs of the EEL over 2022/23 to be from \$3.244m to \$5.027m depending on policy and expenditure decisions. 9(2)(f)(iv)
- 29 The low expenditure scenario includes significant changes such as reducing EEL funding for Education New Zealand and Student Wellbeing initiatives. The expected impact of decisions sought in this paper is \$1.3m.

Implementation

- 30 The suspension of the levy would be implemented through amendments to the Export Education Levy (EEL) regulations by Order in Council.
- 31 The next steps include regulation drafting, Cabinet Legislation Committee and Cabinet, Executive Council and Gazette notification.
- 32 The Ministry of Education is reviewing the Export Education Levy to ensure it is still fit for purpose given the expected operating environment for international education.

Levy suspension timeline

Milestone/Activity	Timeframe
PCO Drafting	October 2021
Cabinet Legislation Committee	November 2021
Executive Council	Monday following LEG
Gazette notification, with 28-day window before 1 January 2022	December 2022

Financial Implications

- 33 The estimated financial implications to levy revenue of the proposal is a reduction of \$1.3m over the 2022 calendar year. Future decisions will determine how much of this shortfall will be a fiscal implication on the Crown. This will partly depend on expenditure decisions and the ability for reprioritisation.

Legislative Implications

- 34 An amendment to the Education (Export Education Levy) Regulations 2011 will be needed to implement a suspension of the EEL for 2022. The EEL is authorised by section 641 of the Education and Training Act 2020.

Impact Analysis

Regulatory Impact Statement

- 35 A Regulatory Impact Analysis has been completed and is attached.
- 36 The Ministry of Education's Quality Assurance Panel has reviewed the Regulatory Impact Analysis "Export Education Levy 2022 Suspension" produced by the Ministry of Education and dated 22 September 2021. The panel considers that it **partially meets** the Quality Assurance criteria. The Regulatory Impact Analysis is concise and makes a clear case that, on balance, the preferred option is to continue the suspension of the Export Education Levy into 2022. Stakeholder consultation also indicates support for the proposal. However, due to the need for a decision to continue the suspension before it expires at the end of the year, 9(2)(f)(iv), there is some uncertainty about the potential impacts of the proposal. The analysis discusses this uncertainty and outlines and how the impacts can be managed.

Climate Implications of Policy Assessment

- 37 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this proposal as the threshold for significance is not met.

Population Implications

- 38 This proposal has limited population implications. To the limited extent that the proposal supports providers to continue provision of courses then future domestic learners benefit from a larger set of study options.
- 39 Tertiary education participation rates - the number of domestic students enrolled in tertiary education at any time during the year divided by the number of people in the population aged 15 or over in 2019 were Māori 13%, Pacific People 11%, Asian 8%, and European 8%. Māori and Pacific People have a different age structure to European and Asian populations, with a higher proportion in the younger age groups most engaged with tertiary education.
- 40 Tertiary education participation rates are 10% for females and 7% for males.
- 41 In 2019 international fee-paying students came from Africa 1%, Asia 81%, Europe 7%, Latin American and the Caribbean 6%, Northern America 1% and Oceania 1%.

Human Rights

- 42 This paper does not have implications for human rights.

Consultation

- 43 New Zealand Qualifications Authority, The Ministry of Business, Innovation and Finance, Tertiary Education Commission, Education New Zealand, Parliamentary Counsel Office and Treasury have been consulted. The Department of Prime Minister and Cabinet has been informed.
- 44 Tertiary International Education providers and sector groups such as Universities NZ and English New Zealand have been consulted. Feedback on the EEL consultation revealed that all respondents supported the EEL suspension. There were many responses indicating the importance of reducing costs while they face lower international student numbers.

Communications

- 45 The Minister of Education will announce the proposal.

Proactive Release

- 46 In line with standard practice, I intend to proactively release this paper within 30 business days of decisions being confirmed by Cabinet.

Recommendations

I recommend that Committee:

- 1 **note** that COVID-19 has led to significant declines in international education student volumes and therefore in expected revenue collected by the Export Education Levy (EEL) that would usually fund certain services mandated by the Education (Export Education Levy) Regulations 2011;
- 2 **note** that the International Education sector is expected to be under more pressure in 2022 than 2020 and 2021;
- 3 **note** that removing the obligation to pay the EEL for 2022 provides a signal of support to the international education sector;
- 4 **note** options to manage revenue loss will be considered, including reducing services 9(2)(f)(iv) ;
- 5 **note** a levy suspension cannot be implemented retrospectively through regulations, 9(2)(f)(iv) ;
- 6 **agree** to take the policy decision of removing the obligation to pay the EEL for the 2022 calendar year;

- 7 **invite** the Minister of Education to instruct the Parliamentary Counsel Office to draft regulations to give effect to the decision in recommendation 6.

Authorised for lodgement

Hon Chris Hipkins

Minister of Education

Regulatory Impact Analysis: Export Education Levy 2022 Suspension

Coversheet

Purpose of Document	
Decision sought:	<i>Analysis produced for the purpose of informing a final Cabinet policy decision</i>
Advising agencies:	<i>Ministry of Education</i>
Proposing Ministers:	<i>Minister of Education</i>
Date finalised:	<i>22 September 2021</i>
Problem Definition	
<p>As a result of COVID-19 International student numbers are significantly down and falling, creating revenue loss for providers, and reducing Export Education Levy revenue. This is happening at a time the Government is working with providers to define and move to a high-value, high-quality sector. The levy is currently suspended in recognition of this context, without action it is due to restart on 1 January 2022.</p>	
Executive Summary	
<p>The proposal is to amend the Export Education Levy (EEL) regulations so that no levy is payable for the period from 1 January 2022 to 31 December 2022. Government sets the levy through regulations authorised by the Education and Training Act.</p> <p>Options are limited to a decision on whether to further suspend or allow the levy to restart in 2022. A first principles review of the fairness, efficiency, accountability and sustainability of the levy is underway. A levy suspension decision is needed now to allow time to implement before the levy restarts, the levy cannot be suspended retrospectively through regulation.</p> <p>The impact of the decision is:</p> <ul style="list-style-type: none">• a reduction in levy income of around \$1.3million• a reduction in Ministry of Education administration costs of \$150,000• a reduction in administration for providers• a reduction in provider costs in proportion to their international student tuition fees, totalling \$1.3m for the sector. In a context of expected sector revenue of \$250m. <p>The benefits include:</p> <ul style="list-style-type: none">• sending a signal to the sector that government is prepared to support providers to rebuild (in line with the aims of the Recovery Plan), by enabling them to redirect these funds to best support their business.• providing support in this way targets providers that are currently operating, are continuing to provide education services to international, and in many cases domestic students.• providers may not see the benefit of some levy expenditure categories in the current environment.• providing time to review the EEL to test if it is fit for purpose.• a reduction in the levy administration burden for providers in 2022 and the Ministry	

of Education, given expected low revenue.

The costs include:

- a prolonged period where the sector has not paid the levy, potentially making restarting more difficult.
- Crown funding of \$1.3m or a reduction in services if levy revenue is not replaced by Crown funding.
- the loss of a sector contribution to initiatives supporting the sector.

The sector is overwhelmingly in support of the proposal, and highlight the significant impact of COVID-19 to their industry.

Limitations and Constraints on Analysis

Analysis of the impact of this proposal is limited by the uncertainties regarding international student enrolments in 2022. Enrolments determine sector revenue and potential EEL revenue. Enrolments will be impacted by:

- New Zealand's border controls.
- Managed Isolation and quarantine capacity, and relative priority of international students for places.
- The economic impact of COVID-19 on prospective international students.
- Recognised vaccine availability in source countries if recognised vaccination becomes an entry criterion.
- The ability of providers to remain viable and maintain courses until conditions improve.

For 2022 student numbers are relatively predictable as current students' complete courses at predictable rates, and an increasing likelihood that student entry will be limited to small intakes through MIQ allocation. On this basis the analysis uses 15,000 international students in New Zealand as the base scenario for 2022.

The 15,000 students estimate comes from an analysis by the Ministry of Education and Education New Zealand. It looks at visa data, student attrition rates, and makes assumptions on border settings in 2022. The analysis also looked at scenarios of 13,000 – 17,000 students. For this purpose, the estimate of 15,000 has been used as the most likely scenario.

Responsible Manager

Corwin Wallens
Chief Policy Advisor
International Division
Ministry of Education

Quality Assurance

Reviewing Agency:	Ministry of Education
Panel Assessment & Comment:	The Ministry of Education's Quality Assurance Panel has reviewed this Regulatory Impact Analysis. The panel considers that it partially meets the Quality Assurance criteria. The Regulatory Impact Analysis is concise and makes a clear case that, on balance, the preferred option is to continue the suspension of the Export Education Levy into 2022. Stakeholder

consultation also indicates support for the proposal. However, due to the need for a decision to continue the suspension before it expires at the end of the year, 9(2)(f)(iv) there is some uncertainty about the potential impacts of the proposal. The analysis discusses this uncertainty and outlines and how the impacts can be managed.

Section 1: Diagnosing the policy problem

What is the context behind the policy problem and how is the status quo expected to develop?

1. In 2003, the Government introduced the EEL to fund a clearly defined set of activities that benefit the international education sector and New Zealand's international reputation. The EEL is now authorised by section 641 of the Education and Training Act 2020. The activities include:
 - the development, promotion, and quality assurance of the export education sector
 - support (financial or otherwise) of other bodies engaged in the development, promotion, or quality assurance of the export education sector
 - the administration and audit of the code in respect of international students
 - the funding of the cost of the operation of the Dispute Resolution Service
 - the general administration of the levy and associated purposes
 - reimbursements to students for provider failure.
2. The EEL is payable by any education provider that enrolls international fee-paying students. The EEL is set at 0.89% of international student tuition fee income for private training establishments (PTEs), and 0.50% for all other providers. The differential is due to a higher risk of Levy funded student reimbursement for PTEs.
3. In response to COVID-19, EEL payment obligations were cancelled for international fee-paying students enrolled between 1 January 2020 and 31 December 2021. This suspension of EEL obligations was actioned in the Education and Training Act 2020.
4. The EEL collected \$2.2m from providers for the financial year ended 30 June 2020, and no income for the financial year ended 30 June 2021. This compares to \$6.4m for the year ended 30 June 2019. The 2019 result was achieved in a pre-COVID environment of around 110,000 international fee-paying students.
5. Immigration New Zealand data suggests international student numbers in New Zealand of 20,800 as at 5 September 2021. We expect this number to fall to around 15,000 for 2022 as students complete and leave courses, with limited ability to bring in new students.
6. Without a policy change the Levy will restart in 2022, at a time when the sector is smaller than when the levy was suspended. It will likely bring in about \$1.3m rather than the normal \$6m. Some levy expenditure is fixed in nature rather than variable with student numbers, it is likely that Crown funding will be needed to support the levy.
7. 9(2)(f)(iv) . This suspension decision has an impact of \$1.3m.

What is the policy problem or opportunity?

8. The opportunity is to support the international education sector through suspending a small but (to some extent) disliked cost, in recognition of the operating environment of significantly reduced students.
9. This environment has changed the balance of some of the rationale for the levy:
 - Equity - Some providers are likely to see the Levy as unfair in the current environment. Providers that are downsizing to match current student levels may not see 2022 as the time to invest in maintaining NZQA capacity to administer the code.
 - Efficiency – Levy administration costs when the levy is collected total around \$400,000. This is a high burden when expected revenue is down to around \$1.3m.
 - Relationship Management – The Crown is seeking to support the sector to move to a high-value, high-quality sector. Reimposing the levy in 2022 may limit buy-in to the policy direction. The ongoing sustainability of the levy relies on some level of sector support that could be undermined by reimposing while the borders are so restricted.
 - Public good – All NZ international education providers benefit from the reputation of NZ as an international education destination. Without a levy NZ branding may be underfunded as some providers could freeride on the benefits created by the investment of others. However, in the current environment some providers may not benefit from promotion or see the costs as higher than the benefits while it is difficult for interested students to enter NZ.

What objectives are sought in relation to the policy problem?

10. Relevant objectives:
 - Accelerate the recovery and rebuild from the impacts of COVID-19 (Budget Policy Statement 2021)
 - Support the sector during the current downturn (International Education Recovery Plan)
 - Support transition to high value (International Education Strategy and Recovery Plan)
 - Excellent Education and Student Experience (International Education Strategy)
 - Ensure operating expenses support a responsible and proportionate role for the Government (Budget Policy Statement 2021).

Section 2: Deciding upon an option to address the policy problem

What criteria will be used to compare options to the status quo?

11. The objectives are drawn from the International Education Sector Strategy, the International Education Recovery Plan and the Budget Policy Statement. The Criteria cover the objectives.

Objective	Criteria
Accelerate the recovery and rebuild from the impacts of COVID-19 (Budget Policy Statement 2021)	Helps impacted providers
Support the sector during the current downturn (International Education Recovery Plan)	
Support transition to high value (International Education Strategy and Recovery Plan)	Maintains sector buy in to change process
Excellent Education and Student Experience (International Education Strategy)	Range of providers to stay in business
Equity	Maintains a strong link between activity funders and beneficiaries in 2022
Ensure operating expenses support a responsible and proportionate role for the Government	
Efficiency	Minimises compliance costs

Qualitative judgements:

- ++** much better than the counterfactual
- +** better than the counterfactual
- 0** about the same as the counterfactual
- worse than the counterfactual
- much worse than the counterfactual

What options are being considered?

Qualitative assessment

	Maintain Levy in 2022	Suspend Levy in 2022	Comment
Helps impacted providers	-	+	Provides financial support of 0.5 – 0.89% of international tuition fee revenue. This applies to providers with students in 2022. Providers have said small support can make a big difference.
Maintains sector buy in to change process	-	++	Reimposing the levy signals an end of Crown supports while the impact of COVID on the sector is increasing.
Range of providers to stay in business	0	0	Imposing the levy may reduce the variety of courses on offer in 2022 as the financial situation for providers deteriorates.
Link between activity funders and beneficiaries	0	0	<p>The majority of levy expenditure supports NZs wider international image and in particular the international education sector as a whole. There is a case for both taxpayer funding and a sector self-funding model.</p> <p>The rationale for a self-funding model is weaker in 2022 than pre-COVID due to:</p> <ul style="list-style-type: none"> • Divergence in strategies* amongst the sector • The adequacy of levy payments • The reduced ability of the sector to absorb costs
Minimises compliance costs	-	+	Without a levy in 2022 there will be no collection costs.

*Two differences that impact levy expenditure includes investments in online offerings, and the extent of promotion to maintain a large pipeline of students in the medium term.

Distribution of costs

	Maintain Levy in 2022	Suspend Levy in 2022
Providers	\$1.300m	\$0
Crown	\$0.150m	\$1.300m

Consultation Insights

12. Feedback on the EEL consultation to date has revealed that all respondents supported the EEL suspension. The respondents represented the following subsectors: 27 from Private Training establishments, 15 from schools, 2 from Te Pūkenga, 3 Universities, and English New Zealand representing 20 establishments. There were many responses indicating the importance of reducing costs while they face lower international student numbers. No further significant relevant comments were made.

Risks

13. The implementation requirement of having regulations in place by 31 December 2021 is driving a decision 9(2)(f)(iv) [REDACTED] This creates uncertainty about how the impacts will be funded in the 2022/23 financial year.
14. In the event that there is no Crown funding then this could be managed through a combination of reducing discretionary expenditure and the following measures for non-discretionary expenditure:
 - NZQA imposing charges for international Code administration on providers
 - Seeking funding if/when providers fail resulting in a need to reimburse international students, rather than making provision ahead of time
 - Covering EEL related policy through baselines and/or a reduction in advice
 - Reducing the levy balance.

Conclusion

15. With better or equal scores across the criteria, suspending the levy is the preferred option. This judgement places weight on helping impacted providers, retaining sector support for the strategy, and administration costs. The case for sector vs Crown funding is finely balanced with partially comparable examples sometimes having a crown funding model (tourism) and sometimes sector funding (HortNZ, Milk solids levy).
16. This analysis does not look at the relative merits of reducing expenditure versus Crown funding of the levy in 2022. 9(2)(f)(iv) [REDACTED]

Further detail on managing the revenue loss associated with a further suspension

17. As of 30 June 2021, the levy account had total current assets of \$3.5m. The levy borrowed from the Ministry of Education to support students impacted by the failure of providers in 2018/19. As a result, the EEL fund has non-current liabilities of \$4m.
18. The Ministry of Education is currently reviewing the Export Education Levy to ensure it is still fit for purpose given the expected operating environment for international education.
19. In 2020, we replaced revenue expected to be collected by the EEL with funding from the COVID-19 Response and Recovery Fund (CRRF) – CAB-20-MIN-0219.27 and CAB-20-MIN-0328.22 refer. This included \$6.61m for 2021/22. With expected EEL revenue of \$1.3m in 2022 if the levy restarts, 9(2)(f)(iv) [REDACTED] regardless of our decisions on the proposed suspension.

20. Implementation of the fee suspension through regulation changes is required ^{9(2)(f)(iv)}
There are three options to manage the impacts of lower EEL revenue:
- reduce expenditure on international education supports
 - Crown funding
 - repurpose existing funding.

Non-discretionary expenditure

21. There is little discretion on the costs of some activities funded by the levy:
- NZQA international Code administration. The EEL supports applications processing (to be a Code signatory for international students), advice and support for providers (schools and tertiary), provision of guidelines, best practice resources, and investigation of complaints and breaches. The international portion of code administration costs \$0.723m a year.
 - Code of Practice dispute resolution service. \$0.233m a year.
 - The Ministry of Education has responsibility for reimbursing international students affected by the closure of PTEs, individual PTE programmes, or private schools. Reimbursements are triggered by closures due to the quality of education.
 - Administration of the Levy by the Ministry of Education, estimated at \$0.400m per year, in the past some of this has been met by baselines with tagged funding of \$0.148 in 2021/22.

Other International Education EEL-funded expenditure

22. Important, but to some extent discretionary expenditure includes:
- Promotion, marketing, research and industry development by Education New Zealand, as part of their baseline, \$3.266m a year.
 - International Student Wellbeing Strategy initiatives, up to \$0.750m but would be \$0.150m in proportion to current student levels. In the past this has funded activities like peer-mentoring models, mental wellbeing, induction resources, and leadership amongst female international students.
23. On this basis we expect the funding needs of the EEL over 2022/23 to be from \$3.244m to \$5.027m depending on suspension policy and levy expenditure decisions.

Section 3: Delivering an option

How will the new arrangements be implemented?

24. If the Levy is not suspended, then the Ministry of Education will collect the levy. If the Levy is to be suspended then after regulation changes and communication, no delivery action will be required.
25. The Ministry of Education will fully review the Export Education Levy.