MINISTRY OF EDUCATION
TE TĀHUHU O TE MĀTAURANGA

# Education Report: Confirming tertiary fee regulation settings for 2021

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| **To:** | Hon Chris Hipkins, Minister of Education | | |
| **Date:** | 3 September 2020 | **Priority:** | High |
| **Security Level:** | In Confidence | **METIS No:** | 1235806 |
| **Drafter:** | Jon Rolfe | **DDI:** | 9(2)(a) [redacted] |
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| **Messaging seen by Communications team:** | No | **Round Robin:** | No |

## Purpose of Report

This paper summarises submissions received during consultation on the proposed tertiary fee regulation settings for 2021 and seeks your agreement to confirm these settings. This includes:

- setting the Annual Maximum Fee Movement (AMFM) for 2021 at 1.1 percent; and
- introducing a $60 per credit fee cap for Student Achievement Component level 3 and above (SAC L3+) funded micro-credentials, with an exceptions process managed by the Tertiary Education Commission (TEC).

## Summary

On 25 July, you agreed to consult on the proposed tertiary fee regulation settings for 2021 via Gazette notice. This included a proposed AMFM rate of 1.1 percent for 2021, in line with forecast inflation for 2021, and a new fee capping mechanism to regulate fees for SAC L3+ funded micro-credentials. Consultation opened on 30 July and closed 20 August.

We received eight submissions in total, five from tertiary education organisations (TEOs) as well as submissions from Aviation New Zealand, New Zealand Union of Students' Associations (NZUSA) and Universities New Zealand (UNZ).

On the AMFM rate UNZ and two universities suggest a slightly higher AMFM at 1.5 percent, while two private training establishments (PTEs) suggest a rate of 1.5 to 2 percent. NZUSA supports the proposed AMFM of 1.1 percent as a 'step in the right direction' for students. Aviation New Zealand proposes an urgent review of fee and funding settings for the New Zealand Diploma in Aviation. Victoria University of Wellington recommends a review of fee inequities caused by AMFM to inform settings for 2022.

While the submissions from TEOs raise valid points, particularly in relation to the forecast impact of COVID-19 on TEO revenue, we still do not consider higher fee increases for domestic students as the appropriate way to manage the issues raised. We recommend that you continue with the proposal to set the AMFM at 1.1 percent for 2021.

Three PTEs responded on the proposed $60 per credit fee cap for micro-credentials. Two of these were not submissions, but were applications for an exception to the proposed cap. These two responses have been passed on to the TEC to manage, if the proposed fee regulation settings are confirmed. Yoobee Colleges raised concerns about the level of the cap and the administration costs involved in applying for exceptions. We will provide this feedback to the TEC to support the development of processes for the exception criteria.

## Recommended Actions

The Ministry of Education recommends you:

a. **note** the eight submissions received on the proposed tertiary fee regulation settings for 2021 (attached in Appendix 2)

*Setting the Annual Maximum Fee Movement for 2021*

b. **agree** to set the Annual Maximum Fee Movement at 1.1 percent for the 2021 calendar year (GST exclusive), in line with forecast inflation for 2021 as at the Budget Economic and Fiscal Update 2020

**Agree** **Disagree**

c. **note** that setting the Annual Maximum Fee Movement higher than 1.1 percent for 2021 would require additional funding through Budget p oce ses, meaning that it would be highly unlikely that fee regulation settings could come into effect on 1 January 2021

*Regulating fees for training schemes and micro-credentials*

d. **agree** to clarify that current fee regulation settings apply to all Student Achievement Component level 3 and above fu ded ourses that are part of a qualification, including where these courses are part of a training s heme or micro-credential

**Agree / Disagree**

e. **agree** to set a $60 (GST inclusive) per credit cap on micro-credentials (excluding components made up of ex sting Student Achievement Component level 3 and above funded course ), wi h an exceptions process managed by the Tertiary Education Commission for fees to be set above this cap

**Agree** **Disagree**

f. **agree** to pr actively release this Education Report, with any redactions in line with the Officia Information Act 1982.

**Agree / Disagree**

Katrina Sutich
**Group Manager**
**Tertiary Education**
**Ministry of Education**

03/09/2020

Hon Chris Hipkins
**Minister of Education**

19/ 9/2020

## Background

1. Section 420(1)(b) of the Education and Training Act 2020 (the Act) requires you to consult on any proposed conditions on funding that limit the fees a tertiary education organisation (TEO) can charge to domestic students or employers. Consultation is conducted by publishing a notice in the New Zealand Gazette on the proposed settings and submissions are open for 21 days following publication. The Act requires you to consider any submissions before making a decision on fee regulation settings.

2. On 25 July, you agreed to consult on the proposed tertiary fee regulation settings for 2021 via Gazette notice [METIS 1229901 refers]. This included a proposed Annu l Maximum Fee Movement (AMFM) rate of 1.1 percent for 2021, in line with forecast inflation for 2021, and a new fee capping mechanism to regulate fees f r Student Achievement Component level 3 and above (SAC L3+) funded micro-credentials. Consultation opened on 30 July and closed 20 August.

3. Eight submissions were received in response to the Gazette notice  nd related to the proposals (copies of these submissions are attached in Appendi  2)  Submissions were received from:

   - One student organisation: New Zealand Union of Students' Associations (NZUSA)

   - Two sector peak bodies: Aviation New Zeal nd and Universities New Zealand (UNZ);

   - Two universities: Lincoln University (Lincoln) and Victoria University of Wellington (VUW); and

   - Three private training es ablishments (PTEs): New Zealand International Commercial Pilot Academy (NZICPA ; Te Rito Maioha Early Childhood New Zealand (Te Rito Maioha);  nd Y obe  Colleges (Yoobee).

## Submissions on the proposed Annual Maximum Fee Movement rate

4. All eight of the submissions commented on the AMFM, with only NZUSA expressing support for the proposed AMFM rate of 1.1 percent. UNZ, Lincoln and VUW recommended that  he AMFM be set slightly higher at 1.5 percent. Te Rito Maioha recommended an AMFM of between 1.5 to 2 percent and NZICPA recommended 2 percent, in line wi h the previous four years (2017-2020). Yoobee's submission indicated that  t did not support an AMFM of 1.1 percent as it did not recognise additional costs, such as compliance costs, but did not suggest an alternative higher rate. Aviation New Zea and s submission sought a review of fee and funding settings for the New Zealand Diploma in Aviation.

5 There were two main themes in the submissions on the proposed AMFM rate:

   - **Affordability** – protecting the affordability of tertiary education for students; and

   - **Quality** – maintaining and enhancing the quality of tertiary education, particularly given the impact of COVID-19 on the financial position of TEOs.

## Affordability of tertiary education for students

6. NZUSA's submission focuses on the need to ensure tertiary education is affordable for students. Their submission asserts that lowering the AMFM from 2 percent to 1.1 percent, and tying the AMFM to forecast inflation, is a 'step in the right direction' and an acceptable rate for increasing tuition fees.

*Ministry of Education Comment*

7. We agree that minimising course fee increases is one way to protect the affordability of tertiary education, and support a 1.1 percent AMFM on this basis.

## The quality of tertiary education

8. Submissions from UNZ and most TEOs indicate that the financial pr ssure they are currently facing, combined with a lower AMFM rate at 1.1 percent, wi  impa  on their ability to meet a range of cost increases linked to quality. This includes:

   - **Personnel costs** associated with retaining and attrac ing staff, which increase at a rate much higher than inflation. UNZ points out that universities are currently looking at ways to reduce their workforce to help c ver cost  given approximately 60 percent of annual costs at universities are staff wages  However, this takes time and does not generally result in sav ngs with n a year. UNZ and VUW's submissions state that universities must also compete with international salary rates for high-quality academics (for bot  t aching and research purposes).

   - **Infrastructure**, including repairs (for example earthquake strengthening), maintenance and redevelopment of aging buildings. VUW notes that ongoing costs such as insurance h ve increased more than the rate of inflation in recent years.

   - **Technology** to respond to the need for different modes of delivery in response to the COVID-19 pandemi  Lincoln's submission points out the need for quality and effective distance learning platforms. NZICPA also indicates the high costs associated with simulator training equipment for its aviation programmes.

   - **Complianc  cos s**, for example NZICPA points out there are high compliance costs associated with safety systems for its aviation programmes. Yoobee also note  the hi h compliance costs associated with audits and quality reviews.

9. Submiss o  s from UNZ, Lincoln, VUW and Te Rito Maioha all reference the impact of COVID 19 on the financial sustainability of TEOs and the quality of tertiary education. Thi  is  articularly due to the forecast drop in revenue from international students. Linco n forecasts the impact in 2020 to be a loss in revenue of between 6 and 8 percent. UNZ and Lincoln point out that if the border remains closed to international students in 2021, the deficit would be substantially more. UNZ argues that in the short term universities must increase their revenue from other sources, such as through domestic student fee increases.

*Ministry of Education comment*

10. The Ministry recommends that you confirm an AMFM rate of 1.1 percent for 2021. We do not consider that slightly higher increase to domestic student fees through an AMFM of 1.5 or 2 percent is an appropriate way to manage the financial impact of COVID-19 and the consequential border closure.

11. The submissions from UNZ and TEOs do make some valid points about the financial difficulties that TEOs are facing. A reduction in the tertiary teaching workforce due to a drop in revenue would likely impact on the quality of tertiary education, with a possible drop in staff to student ratios. However, there is still a lot of uncertainty on the scale of the impact that COVID-19 will have on TEO revenue from 2021, including the impact on and international student revenue. Should the border remain closed to international students in 2021, a more targeted approach may be appropriate to support those TEOs most at risk to retain critical teaching and research capability and capacity.

12. TEOs can also expect increased domestic enrolments from 2021 and Budget 2020 allocated additional funding to manage this increase in demand. This was a net cost o $334 million for an additional estimated 44,000 equivalent full-time students (EFTS) or provision at level 3 and above between 2021 and 2023. This is alongside an increa e to tuition subsidy rates of 1.6 percent in 2021. Although it is acknowledged, particularly for the university sector, that an increase in domestic demand will likely on y pa tially offset the decline in international enrolments.

13. In response to UNZ and VUW's comments on universities ne ding offer competitive international salary rates for academics, we consider that th s is nlikel to significantly impact on universities' rising costs in 2021. There may be limited opportunities to attract new academic staff from overseas at this time due to he current border closure. We would also expect that lifestyle factors and the att action of New Zealand's relatively low number of COVID-19 cases would be signi icant in a tracting academic staff from overseas when border restrictions are even ually r axed

14. On the concerns raised by UNZ, Lincoln and VUW on infrastructure costs, some universities will also benefit from the $3 billion set aside for infrastructure in the COVID-19 Response and Recovery Fund. For example, $200 million was recently announced for the University of Auckland's Fac lty f Education and Social Work construction project. A number of other business cases f om universities are also being considered.

## Submissions on the fee capp ng m chanism for micro-credentials

15. Only the submission fr m Yoobee commented on the proposed $60 per credit fee cap on SAC L3+ funded micro credentials. Two other letters were received from PTEs delivering beauty relat d micro-credentials, but they did not provide feedback on the proposed criteria. Instead these PTEs sent applications for an exception to the fee cap using the proposed exception criteria.

**The level of th fee cap**

16. Y obe has raised concerns that the proposed fee cap of $60 per credit is too low. While it acknowledges that this would be an acceptable cap of $7,200 for a 120 credit study-load or one equivalent full-time student (EFTS), Yoobee indicates that there are higher costs associated with running a micro-credential due to:

- **Higher staffing costs –** Yoobee indicated that it would look to hire part-time tutors to teach these programmes, which it would likely pay more on a per hour basis than their full-time staff. Their submission also says that there is higher staff turn-over for their part-time staff, which would result in higher recruitment costs.

- **Marketing and administration costs –** Yoobee advises that costs associated with marketing and administration for micro-credentials (such as enrolment, public trust set up, reporting) are the same for their full qualifications. Their submission also points out that micro-credentials must undergo similar monitoring and quality assurance as their qualifications.

17. Yoobee has indicated that the only way for them to offer micro-credentials within the proposed fee cap would be to either offer them online (as there are lower costs for them to deliver provision online), or not seek SAC L3+ funding and charge a higher fee. Their submission suggests that the revenue that their current short programmes generate from unregulated fees would be higher than SAC L3+ funding and a fee within the cap.

*Ministry of Education comment*

18. We still consider that the proposed fee cap of $60 per credit is reasonable, as set out in our earlier advice [METIS 1229901]. Most SAC L3+ funded TEOs currently offering micro-credentials, 21 of the current 27, have fees that are set below the proposed cap.

19. Yoobee currently has two New Zealand Qualifications Authority (NZQA) registered micro-credentials, with one currently receiving SAC L3+ funding (Digital Marketing Micro-credential consisting of 7 credits at level 5). Yoobee also offers a range of other short-courses in design and digital technology areas for which it generally charges fees of around $500 - $1,500, and most are available through remote learning. Yoobee can continue to deliver short-courses, or micro-credentials that are un-funded, without the need to comply with fee regulation conditions.

20. In response to Yoobee's specific points that micro-credentials have higher staffing, marketing and administration costs, there are a range of options on how TEOs can look to save costs in the way they deliver and market their programmes. For example, Yoobee could encourage existing staff to teach micro-credentials, rather than recruiting new part-time staff. Yoobee also suggest delivering online to limit costs, however, most of their short-courses are delivered online already.

21. Furthermore, TEOs can seek an exception to the proposed $60 per credit fee cap up to an amount determined by the TEC. The exception criteria specifies that the TEO must show that the total revenue from fees and tuition subsidies make it financially unsustainable to offer the micro-credential, and that there is strong support from industry and/or employers to deliver the micro-credential.

**The exceptions criteria**

22. Yoobee's submission suggests that an application process for an exception would be cumbersome, costly and time-consuming. As the proposed cap applies at the same rate across all subject areas, Yoobee considers there is not enough discretion for TEOs to charge a higher fee upfront for higher cost micro-credentials.

*Ministry of Education comment*

23. 9(2)(f)(iv) [redacted]

[redacted]

9(2)(f)(iv) [redacted]

[redacted]

## Other issues raised

26. Submissions from TEOs also raise several other issues with fee regulation settings not linked to the AMFM rate or fee capping limits for micro-credentials, including:

- **That the 75th percentile rule is not transparent** – currently fees for new courses are capped at the 75th percentile of similar courses as determined by the TEC. Yoobee's submission says that the formula for this calculation is unknown. We will provide this feedback to the TEC to improve guidance to TEOs. This could include some case examples on how the current settings apply in practice.

- **AMFM locks in historical fee inequities** – VUW's submission points out that the historical fee regulation settings and the current AMFM lock in and exacerbate fee differences for comparable provision. VUW points out that it charged lower fees for its Arts courses when fee increases were frozen in 2000. While the Fee and Course Costs Maxima policy from 2003 to 2010 gradually saw the gap between VUW's Arts fees and other universities' close, since the introduction of the AMFM policy in 2011 fee differences have grown. VUW requests a review of the AMFM in 2021 to inform settings for 2022. 9(2)(f)(iv) [redacted]

- **Aviation New Zealand request for a review** – Aviation New Zealand's submission has requested an urgent review of fee regulation setting and funding rates for its diploma in aviation programme. It indicates that there are issues with the current split of funding rate between funding categories for this programme (sub degree aviation theory is funded through the Arts rate at $6,511 per EFTS while the practical pilot training components are funded through a separate rate at $14, 52 per EFTS). Sub-degree aviation provision is in scope for future work on the Unified Funding System (UFS). This submission will be forwarded to the relevant policy teams working on the UFS and inform future work on fee regulation.

## Next steps

27. Subject to your agreement to the proposed fee regulation settings for 2021, the Ministry and the TEC will publish information online to communicate your decision. This gives TEOs time to consider fee changes and to make other decisions for 2021.

28. Attached in Appendix 1 is the proposed conditions that will go into the SAC L3+ funding determination. We will provide you with an updated SAC L3+ funding determination in September 2020. Our legal team has advised that in order for the 2021 fee regulation settings to take effect from 1 January 2021, the resulting variation to SAC L3+ funding determinations needs to take effect on or before 30 September 2020. This is in order to comply with the three month stand-down on variations under section 423 of the Act.

## Appendices

- *Appendix 1: tertiary fee regulation settings 2021*. This provides a draft version of the conditions that will go into the SAC L3+ funding determination. This does not need to be signed.

- *Appendix 2: Submissions on tertiary fee regulation settings for 2021*

# TERTIARY FEE REGULATION SETTINGS 2021

## *General*

1. The conditions in this section of the funding mechanism apply to fees charged by tertiary education organisations (TEOs) for all Student Achievement Component level 3 and above (SAC L3+) funded courses, training schemes or micro-credentials.

2. The fees charged by a TEO are subject to these conditions if the TEO is the sole source of the item to which the fee relates.

## *Definitions*

3. In the conditions set out in this section, unless the context otherwise requires, —

   a. **Course** means part of a programme of study that leads to the award of a qualification on the New Zealand Qualifications Framework (NZQF), including a certificate, diploma, degree, or postgraduate qualification. For the avoidance of doubt, this includes a course that is part of a qualification where the student is not enrolled in the qualification (for example, where a student is only enrolled in the course or where the student is undertaking the course as part of a training scheme or micro-credential); and

   b. **Training scheme** means study or training that leads to an award but does not, of itself, lead to a qualification listed on the NZQF, but excludes micro-credentials; and

   c. **Micro-credentials** are a sub-set of training schemes that certify achievement of a coherent set of skills and knowledge and that have evidence of need by industry, employers, iwi and/or the community; and

   d. **Fees** means tuition fees, compulsory course costs, examination fees, other charges associated with a programme of study, material charges, cost of field trips and any compulsory purchase of equipment or books through the organisation.

## *The Annual Maximum Fee Movement*

4. The Annual Maximum Fee Movement (AMFM) sets the maximum percentage that TEOs may increase their domestic tuition fees by each year for all SAC L3+ funded courses or training schemes (excluding micro-credentials).

5. The AMFM for 2021 is set at 1.1 percent. This permits a 1.1 percent increase on the fees (GST exclusive) charged in 2020 to domestic students for SAC L3+ funded courses or training schemes (excluding micro-credentials).

## *Substitute courses*

6. The AMFM applies to any new courses or training schemes (excluding micro-credentials) established by a TEO in substitution for an existing course or training scheme dealing with the same or similar subject matter, at a same or similar level on the NZQF, for which SAC L3+ funding can be used.

## *Exceptions to the Annual Maximum Fee Movement*

7. A TEO may apply to the Tertiary Education Commission (TEC) for an exception from the 2021 AMFM on the basis of exceptional circumstances. Any exception granted will not exceed an additional 1.1 percent increase over and above the permitted 1.1 percent increase.

8. In considering exceptional circumstances, the TEC must only have regard to the following criteria:

   a. the TEO is unable to support the course(s) or training scheme while remaining financially viable; and

b. where the course is part of a qualification at levels 3-8 on the NZQF that has been delivered previously, the qualification has a cohort-based completion rate that meets or exceeds the median performance benchmark for that NZQF group in the previous year; and

c. the TEO can demonstrate that the course or training scheme is in some way unique or special, for example, that there are no available local alternatives; and

d. not allowing an exception will prevent the TEO from making a significant contribution to the achievement of one or more of the Government's priorities, as set out in the current Tertiary Education Strategy.

9. An application must satisfy all criteria to gain an exception.

### *Low or Zero Fee Courses or Training Schemes*

10. If the fees for a course or training scheme (excluding micro-credentials) funded through SAC L3+ are less than \$511.11 (GST inclusive) (\$444.44 (GST exclusive)) per equivalent full-time student (EFTS) in 2020, then for 2021, the TEO may increase the fee to up to \$511.11 (GST inclusive) (\$444.44 (GST exclusive)) per EFTS, or can increase the fee for the course or training scheme by 1.1 percent, whichever is the greater.

### *Fee Setting Limits for New Courses or Training Schemes*

11. The fees for a new course or training scheme (excluding micro-credentials) established by a TEO and funded through SAC L3+ must be no more than the 75th percentile from the range of fees charged for similar courses or training schemes. The TEC will specify how similar courses or training schemes will be determined.

12. The above fee setting limits apply to any new courses or training schemes funded through SAC L3+, except where the course or training scheme is in substitution for an existing course or training scheme dealing with the same or similar subject matter, at a same or similar level on the NZQF. Substitute courses or training schemes are subject to the AMFM.

### *Exceptions to Fee Setting Limits for New Courses or Training Schemes*

13. A TEO may apply for an exception from the fee setting limits for new courses or training schemes on the basis of exceptional circumstances.

14. In considering whether or not there are exceptional circumstances, the TEC must only have regard to the following criteria:

    a. the course or training scheme would be financially unviable without a higher fee; and

    b. where the course is part of a qualification at levels 3-8 on the NZQF that has been delivered previously, the qualification has a cohort-based completion rate that meets or exceeds the median performance benchmark for that NZQF group in the previous year; and

    c. the TEO can demonstrate that the course or training scheme is in some way unique or special, for example, there are no or very few similar courses or training schemes to compare fees with; and

    d. the course or training scheme is aligned to Government priorities as set out in the Tertiary Education Strategy.

15. The TEC must only grant an exception if it is satisfied that the TEO meets all of the above criteria.

16. The TEC will have discretion to determine how much a TEO can set fees for any new courses or training schemes granted an exception.

### *Fee Capping Limits for Micro-credentials*

17. The fees for a micro-credential must be no more than $60 (GST inclusive) per credit (excluding components made up of courses that also lead to the award of a qualification and are funded through SAC L3+).

18. Where a micro-credential is wholly or partly comprised of courses that also lead to the award of a qualification and are funded through SAC L3+, the fees for these courses must be equal to or less than the maximum fee permitted for the course under the AMFM and fee setting limits for new courses or training schemes. The fees for the components that are not part of existing courses must be no more than $60 (GST inclusive) per credit.

### *Exceptions to Fee Capping Limits for Micro-credentials*

19. A TEO may apply for an exception from the fee capping limits for a micro-credential (or components of a micro-credential that are not made up of existing courses) on the basis of exceptional circumstances.

20. In considering whether or not there are exceptional circumstances, the TEC must only have regard to the following criteria:

    a. the TEO can demonstrate that the fee cap makes it financially unsustainable to offer the micro-credential, in terms of the costs of delivering the micro-credential and taking into account the total income that the micro-credential would receive (including government funding and fees), and that there are no satisfactory alternatives to limit costs; and

    b. the TEO must provide evidence that there is strong support from industry and/or employers to deliver the micro-credential and that this clearly meets industry and/or employer needs.

21. The TEC must only grant an exception if it is satisfied that the TEO meets both of the above criteria.

22. The TEC will have discretion to determine how much a TEO can set fees for any micro-credential granted an exception.

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Fee Maxima Submissions
Tertiary Education Policy
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Wednesday 19 August 2020

Dear TEC

**SAC Funding Codes and Fees for NZ Diploma in Aviation (3688) and (3689)**

Thank you for the opportunity to comment.

I am writing to you on behalf of New Zealand's EFTS/SAC funded aviation PTE's to help us resolve two critical issues with regard to delivery of the NZ Diploma in Aviation Programmes (3688) and (3689) that are replacing the now expiring aviation Diploma's (1706) and (1707).

All of the EFTS/SAC funded aviation PTE's are members of Aviation NZ.

I am happy to discuss this further with you.

Yours sincerely

John Nicholson
Chief Executive

## Submission from Aviation NZ

### 1.0 THE ISSUES

There are two related issues that should be addressed at this time. While these issues stand on their own, Covid-19 is a further element. In that context, the Government moved quickly in March, recognising the unique challenges faced by the aviation sector to provide a wide range of financial support and has progressively provided assistance to various parts of the sector. The training sector, while clearly part of the broad aviation industry, has, to date, not received any special assistance.

The two key issues are:

### 1.1 NZDipAv (3688/3689) SDR SAC/EFTS Funding Code(s)

Under the status quo, the August Single Data Return (SDR) cannot be completed through the Services for Tertiary Education Organisations (STEO) portal. This arises because the former A1 (theory) and M1 (practical) aviation per EFTS/SAC funding codes used in the (now expiring) aviation Diploma 1706/7 no longer match up to the new aviation Diploma programme 3688/9.

**We propose the use of a single new code and SAC funding value for Aviation EFTS funded courses that does not discriminate between theory and practical, (or any other variable in the mix of provision between aviation PTE's).**

### 1.2 Review of proposed 2021 AMFM fee adjustment of 1.1%

The Aviation training PTE's wish to apply for a review of (rather than an exception to) the proposal by the Ministry of Education on 30th July for a reduction from 2% in 2020 down to 1.1% (in line with inflation) for 2021 of the Annual Maximum Fee Movement (AMFM) for the tertiary education fees for aviation training.

It is noted that the AMFM proposal provides for application for exception to the adjustment value up to 1.1% more than the proposed fee (2.2% total) by PTE's able to demonstrate there is genuine hardship and all of the exception criteria are met. This may be suitable for some individual PTE's to cover some of the costs associated with individual courses within the programme, and it may not be for others.

**In our view there is a need and precedent for a general review of programme and/or course costs and associated fees with the delivery of a new Aviation Diploma Programme, in order to meet varied and volatile operating costs in a time of relative uncertainty. We seek that review now.**

## 2.0 BACKGROUND

The Government has supported tertiary level aviation training in New Zealand with SAC/EFTS funding for almost 20 years. The majority of training for the first 10 years, up until the end of 2011, was completed under the Nelson Marlborough Institute of Technology (NMIT) Aviation Diploma programme; 12 PTE's were subcontracted to deliver approximately 450 of the total 600 national rotary and fixed wing aviation EFTS each year. The remainder was largely delivered through Massey University. The SAC component for this training remained largely unchanged through this period based on a roughly 80:20 split of practical (M1) to theory (A1) funding codes resulting in approximately $11,735.00 per EFTS in SAC funding.

Significantly, the overall programme, rather than individual courses, was capped with a maximum fee of around $95,000.00 which was slowly raised to $99,000.00 in the years leading to 2011. Unfortunately, this increase was insufficient to match rising operating costs, and by the time the programme was replaced through the Targeted Review of Qualifications (TRoQ) in 2012 the margins for delivery of the Diploma Programme were minimal.

In 2012 the NMIT Diploma was replaced by the New Zealand Diploma in Aviation, sub-contractual relationships were ended, total EFTS were reduced from 600 to 450, a limit was imposed of $35,000 per EFTS that students could loan through the student loan scheme, and flight training schools were funded directly by TEC. Significantly too, the SAC funding component was increased slightly (now $12,504.00 per EFTS) and the overall training fee was uncapped (from $99,000).

These changes allowed PTE's to charge appropriately for their training courses. For a 2.40 EFTS training programme, students could access to $84,000 in student loan funding. This resulted in the need for a significant self-funded portion, which varied between aviation training PTE's and their programmes, and could be up to $40,000 per student.

While the self funded portion is undoubtedly a barrier to recruitment of some potential candidates, the new funding policy provided an improved arrangement to address some of the margin deficits that were present under the previous fee cap model. On balance this was a positive move for aviation PTE's as it allowed a return to profitability without the fee cap.

At that time, the number of funded schools was also rationalised and several flight training schools went into liquidation without the Government support of SAC funding – further highlighting the tight profit margins.

The new Aviation Diploma Programme (ND1706/1707) was delivered successfully for five years albeit carrying some flaws until 2017 when it was reviewed again by NZQA. As a result of this review, and responding to industry feedback, minor course credit value amendments were made to the new Diploma iterations (3688/3689) now being delivered.

Over the past three years PTE's have been gaining approval for delivery of the new Diploma Programmes. However, the 2012 Diploma Programmes ND1706/07 expired at 31 July 2020; the A1/M1 SAC funding codes for aviation have never been re-assessed, and now, with changes to some credit values and courses, they simply do not work.

Furthermore, there has been no opportunity, as was given in 2012 when the Diploma Programme was replaced, to review the rising costs associated with delivery of aviation training over the past 8 years and adjust course/programme costs other than the marginal increases allowable through the AMFM. The aviation trainers are lagging behind in an environment which has seen increasing staff, insurance, fuel and maintenance costs.

## 3.0 KEY CONSIDERATIONS

Although some work may have been occurring previously between the TEC and the Ministry, regarding funding codes for aviation, the August SDR cannot be submitted using the current A1/M1 SAC funding codes that do not match through STEO and the matter is now urgent.

SAC funding is based on EFTS which is based on credit values which is based on hours of study. Ie 10 hours = 1 Credit = 0.0833 EFTS. However, hours of study have little bearing on the cost of courses – practical training components can cost hundreds of dollars per hour to deliver, as opposed to hours in the classroom. This lends weight to the single code method for programme delivery as a means of averaging and supporting through SAC funding overall delivery costs.

The mix of provision varies significantly across the different aviation PTE's, not only from rotary to fixed wing which have vastly different associated costs, but also between Programmes of study and delivery methodology; this means that what is mostly theory at one PTE may be a mix of practical and theory at another.

Aviation PTE's have previously been informed that approval of a new funding code for aviation must come from the Ministry.

The Minister has stated that the proposed 1.1% rise in the AMFM is to match inflation and to ensure affordable tertiary education for new learners potentially affected by job losses as a result of COVID 19.

Consideration must also be given to the aviation training PTE's delivering education in one of the worst affected industries, and facing enormous challenges in both supply and demand for students, by allowing them the ability to adjust AMFM to ensure profitability and reduce the risk of closure.  The Government has already recognised the unique challenges faced by the aviation sector through Covid by setting up an Aviation Relief Fund.

There is precedent for a review of the overall programme and/or course fees with this occurring with the release of the New Diploma Programme in 2012, but it did not occur with the New Diploma of 2017.

The fee cap of $35,000 per EFTS has not been CPI adjusted since set.

## 4.0 SOLUTION

There are solutions to each issue.

- The Ministry of Education approves a single, aviation specific SAC funding code, attributable to all courses within EFTS funded Aviation Diploma Programmes for use with the August 2020 SDR at the current rate of $12,504.00 per EFTS.
- The Ministry of Education allows for a fresh review of fees for courses based on delivery of the New Diploma Programme to which the AMFM can be applied for future years.

Given the urgency of the looming SDR, your timely consideration of these matters is much appreciated. If you wish to discuss this in further detail please don't hesitate to make contact. Otherwise we look forward to hearing from you.

Aviation NZ
19 August 2020

# Submission

**of the**

# New Zealand Union of Students' Associations

**on the**

# Annual Maximum Fee Movement (AMFM) for 2021.

Prepared by
**Sam Smith**
**National Vice President**
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027 753 2681

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|---|---|
| To | **The Ministry of Education** |
| From | **New Zealand Union of Students' Associations (NZUSA)** |
| Date | **20 August 2020** |
| Subject | **Annual Maximum Fee Movement 2021** |

## 1. Introduction

1.1. Thank you for the opportunity to make a written submission on the proposed Annual Maximum Fee Movement (AMFM) rate of 1.1% for 2021.

1.2. Students debt levels in Aotearoa have reached a point of crisis. This year, students watched as total student debt tipped over $16 billion. NZUSA fully supports the Government's decision to propose an AMFM rate in line with inflation. We hope that this will help to slow the speed in which student debt levels continue to rise.

## 2. Background

2.1. The New Zealand Union of Students' Associations (NZUSA) is the national voice of students in tertiary education. We are proudly owned by students' associations from universities, institutes of technology and polytechnics around the country. We work alongside our partner organisation Te Mana Ākonga (National Māori Tertiary Students' Association) and Tauira Pasifika (National Pasifika Tertiary Students' Association) to fight for a barrier-free education for all.

2.2. NZUSA's members are:

- Auckland University Students' Association (AUSA)
- Students; Association at Universal College of Learning (SAU)
- Lincoln University Students' Association (LUSA)
- Albany Students' Association (ASA)
- Massey University Students' Association (MUSA)
- Massey @ Distance (M@D)
- Massey At Wellington Students' Association (MAWSA)
- Otago University Students' Association (OUSA)
- Students' Association at Wintec (SAWIT)
- Student Connection at Weltec and Whitireia (Student Connection)
- Unitec Student Council (USC)
- Victoria University of Wellington Students' Association (VUWSA)
- Younited Students' Association at Eastern Institute of Technology (Younited)

## 3. Submission

3.1. Student debt has now exceeded $16 billion, and there are no signs of this slowing down. The majority of student loans are made up of course fees, averaging $9,391 (2019) per year across universities, institutes of technology, polytechnics and wānanga, a figure that continues to increase.[1] It is important to consider that these amounts include part-time and extramural students who may only study one or two papers per year.

3.2. Students graduating with a diploma (level 5-7) are entering the workforce with an average debt of $18,720 (2016), and for students leaving with bachelor's degrees, the have to pay back an average of $31,960 (2016).[2] These figures have significantly increased over the past decade.

3.3. The accessibility and affordability of tertiary education is a concern for all students, both current and prospective. The thought of incurring significant debt can deter secondary school students from furthering their studies entirely, especially those who come from low-socio economic backgrounds.

3.4. Research tells us that one of the leading causes of students leaving study is the cost of tertiary education, with one in five students dropping out of study due to cost.[3] This is a major problem when New Zealand's future doctors, engineers and teachers are leaving their studies as a result of tuition fees.

3.5. As well as the immediate consequences of high course fees such as dropping out of study or not taking up the opportunity to enter tertiary education at all, there is also an expectation among students that a loan will significantly impact their ability to save for retirement, buy a house or travel overseas.

3.6. While in tertiary study, students will often take less papers or be less likely to enter postgraduate study due to the cost of tuition fees. The means students are not reaching their full potential by expanding the scope of their studies or continuing on to further study. Opportunities to further one's learning becomes inaccessible when education costs keep increasing.

3.7. The current Government says that it's committed to issues such as addressing the mental health crisis, increasing the teaching workforce and tackling climate change. In order for these to happen, the tuition fee barrier to tertiary education cannot continue to increase at the rate it has been. Lowering the AMFM rate to 1.1% is a step in the right direction.

[1] Student Loan Scheme Annual Report 2019.
[2] Student Loan Scheme Annual Report 2019.
[3] NZUSA Income and Expenditure Report 2017: http://www.students.org.nz/studentreport

3.8. The reality is that if tuition fees continue to increase at previous rates of 2% or more, we will see less students enter tertiary study, more financial stress leading to drop outs, fewer students taking up postgraduate study and a more significant burden placed on graduates once their study have concluded.

3.9. As stated in the introduction, NZUSA supports the Government's decision to move away from arbitrary AMFM rate decision-making that has seen major fee increases from year to year. By tying the AMFA rate to inflation, the Government will be addressing the affordability of tertiary education.

3.10. In reality, we know that tertiary education providers almost always increase tuition fees to the rate of the annual maximum fee movement. While the difference between a 1.1% and a 2% AMFM rate may seem minor, we know that overtime, it will mean less student debt and better outcomes for students.

> As a student representative, often decisions regarding fee increases feel as though they have already been made before we are consulted. Students are left out of the conversation and are often told that fee increases are a good business decision without taking into account the lived experiences of students when faced with higher tuition fees and larger student loans. By reducing the AMFM, a safeguard is given to students; that if their fees are to increase, which they usually do, it will not be as large of an increase as we've seen in the past.
>
> **Isabella Lenihan-Ikin**, National President of the New Zealand Union of Students' Associations.

## 4. Conclusion

4.1. Over recent years, students have felt the negative impacts of increases to tuition fees. Not only do fee increases affect students, but society as a whole who rely on tertiary-educated graduates to enter the workforce in a range of vital sectors such as health, science and education.

4.2. NZUSA is against any increases to tuition fees that place significant burdens on current students, graduates and prospective students wanting to further their education after secondary school. We beleive the proposed AMFM rate of 1.1%, and in particular, the decision to tie this rate to inflation is an acceptable rate for increasing tuition fees. If the final AMFM rate is to exceed the proposed amount, then the Government will clearly have failed to consider the wellbeing of students and the student debt crisis.

4.3. Finally, it takes courage, commitment and immense risk to spend significant funds to further ones education, and this must be respected by decision makers in the tertiary sector. For every dollar the cost of tertiary education increases, the burden and barriers to students also increase.

# The Tertiary Education 2021 Annual Maximum Fee Movement Notice of 2020

## Introduction

This submission is in response to the Minister of Education's proposed 1.1% limit on the annual increases that tertiary education organisations may make to fees and course costs charged to domestic students in 2021. This submission is made by Universities New Zealand – Te Pōkai Tara (Universities NZ[1]) on behalf of the eight universities.

## Submission

Online submission
tertiary.strategy@education.govt.nz
18 Aug 2020

## Recommendations

To ensure that universities can, to a small extent, cover actual cost increases and manage the impact of the COVID-19 pandemic, we recommend the maximum fee increase should be at least 1.5% in line with the consumer price index (CPI) increase of the same amount[2]. This is a very modest increase, recognising that the student cohort will also be facing the economic impacts of COVID-19 in 2021 such as the availability of part time work.

## The combined effect of long-term underfunding and the ongoing impact of COVID-19 on universities' finances

In our submission last year to the proposed AMFM limit, we outlined the financial stress faced by universities. That was before the significant financial shock of the COVID-19 pandemic, which is expected to have a significant impact on revenue in 2020 and an even greater impact in 2021. If universities are to maintain the quality of learning opportunities and support for domestic students, in an environment that limits opportunities for international student recruitment, they must increase their revenue from other sources in the very short term.

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[1] Universities NZ is the operating name of the New Zealand Vice-Chancellors' Committee, a body established under Part 19 of the Education Act 1989. It has statutory responsibilities for university quality assurance, the approval and accreditation of university academic programmes, entrance to universities, and scholarships. It also represents the interests of the universities on a wide range of other matters, such as education and research policies.
[2] StatsNZ https://www.stats.govt.nz/indicators/consumers-price-index.

One such revenue source is student fees. Universities are key contributors to New Zealand's economic recovery through:

- retraining and upskilling the workforce rather than contributing to unemployment
- delivering relevant high value research
- accelerating the educational progress for equity groups
- slowing the downwards slide in international rankings which would, in turn, enable universities to attract and retain high quality researchers and non-government investment.

A reduction in real funding per student over the past 20 years means universities will struggle to meet the costs of continuing to deliver high-quality relevant teaching and research without the cross-subsidy provided by international student fees. Cost pressures have been compounded by years of inadequate student achievement component (SAC) funding adjustments characterised by little (or none) or only subject-specific annual increases to the SAC funding rate.

In the absence of adequate SAC funding, universities need to be allowed to increase their student fees beyond the proposed 1.1% limit to compensate for the SAC shortfall and the COVID-19 financial impact.

**Cost pressures**

The cost pressures faced by universities are mainly driven by three factors over which universities have only limited control. These are:

- having to pay ever-increasing international market rates for salaries to attract and retain the best academic staff
- repairs, maintenance, and redevelopment of aging building infrastructure
- responding to changing modes of delivery and teaching (often subject-specific).

While we are seeking an AMFM limit increase to 1.5% in line with the current consumer price index (CPI) increase of 1.5% pa,[3] this is a very modest increase given the rate at which the universities' costs are increasing.  These costs—and costs overall—are increasing at a much higher rate than the 1.6% SAC rate increase provided for in 2021 (slightly less than for 2020 at 1.8%) and the proposed 2021 AMFM rate of 1.1%.

Universities are making significant efficiencies in response to these fiscal pressures, but these efficiencies alone are not enough to ensure universities can continue to address all the Government's priorities. These broad-ranging priorities include, but are not limited to, improving access and success for students from priority groups, providing New Zealand and

[3] StatsNZ https://www.stats.govt.nz/indicators/consumers-price-index. Note that CPI is mentioned here because it is often used as a benchmark for university funding increases when in actual fact it reflects rising costs such as food which have little relevance to universities.

New Zealanders with access to world-class education and research, and ensuring its ongoing relevance for our future.

### International market rates for academic salaries

New Zealand universities must compete with international salary rates for academics. Total staff-related expenses, including salaries, at NZ universities have increased on average 3% per annum since 2014—double CPI over the same period. Furthermore, for organisations such as universities, where staff account for approximately 60% of total costs, the CPI underestimates the true cost increases.

New Zealand tries to compete with international salary rates for academics, but we pay well below the universities to which we compare ourselves in countries such as Australia, the US, Canada and China. Although New Zealand offers lifestyle factors as partial compensation for lower salaries, it can only do this to a limited extent. The further New Zealand slips behind international remuneration levels, the more difficult it becomes to recruit and retain good staff—whether they are immigrants or New Zealanders wanting to stay or return home. Quality of academic staff, as evidenced by the research they undertake, is the single most important determinant of the quality of a university.

### Capital asset maintenance programmes

Since 2014, the total SAC increase has been 9.7%, significantly less than the 24%[4] rise in university costs over the same period. Operating costs alone increased by 40%,[5] which does not include the even higher costs of significant capital maintenance programmes involving building replacement and maintenance brought on by earthquake strengthening and/or replacement of old stock.

Even if the 2020 SAC rate increases are factored into a more recent 6-year timeframe (2014-2020), the funding rate changes for each of the three major subject areas of undergraduate enrolment are much lower than the rate at which university costs have been rising. The total SAC rate increase for these three major areas are:

- arts and humanities, 4.45%
- commerce and business, 4.45%
- sciences, 27.6%.

Finally, universities' revenue is also constrained by the policy that stipulates that the student fees for new courses must be no more than the 75th percentile from the range of fees charged for similar courses.

[4] University annual reports 2014 vs 2019.
[5] University annual reports 2014 vs 2019.

**The impact of the COVID-19 pandemic**

In late April 2020, Universities New Zealand wrote to Government[6] describing the forecast impact of COVID-19, including the slowing of commercial revenue and income associated with research. The cumulative results for the sector in 2020 will be slightly better than the initial forecasts, however the impact on cash flow will be the most important factor influencing the universities' ability to respond in the short term.

The situation is potentially even more dire in 2021 if international students are unable to enter New Zealand in time for Semester 1 (February 2021). In that case, the deficit for 2021 will be substantially greater than that for 2020. This would inevitably create a slower recovery path, as each international student who does not enrol as a first-year student in 2021 will be a missing enrolment in subsequent years. And the longer it takes for the borders to safely reopen, the longer the universities' recovery.

Short-term mitigation strategies for the universities include a focus on reducing discretionary operating expenditure and delaying non-essential capital expenditure. As approximately 60% of university annual costs are in personnel, an obvious way to recover from a deficit situation will be to reduce the workforce. However, these personnel processes take time and do not generally pay back financially within one year.

Furthermore, some of this staff reduction will include reducing support staff in areas where student numbers have reduced. This will, unfortunately, disproportionately focus on lower paid jobs (in areas such as accommodation, catering, cleaning and maintenance). It will also see pay freezes, a halt on hiring, and letting a range of fixed-term academic contracts lapse (tutors and post-doctoral researchers) with impacts on both quality of teaching and research capability. The halts on hiring and non-renewal of fixed-term contracts will limit the ability of universities to scale teaching and research back up as the economy recovers.

Expenditure maintaining infrastructure may need to be largely halted for the next 12-24 months—exacerbating an already large deferred maintenance challenge for the sector.

All avenues of cost cutting are fraught with undesirable consequences; therefore, it is critical that universities can increase their revenue from other sources such as students' fees. We have clearly demonstrated that a modest increase of at least 1.5% will balance the fiscal pressures faced by both the university sector and the 2021 student cohort.



[6] Letter dated 23 April, addressed to Minister Hipkins.

Vice Chancellor's Office

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UNIVERSITY
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17 August 2020

Fee Maxima Submissions
Tertiary Education Policy
Minister of Education
Wellington

tertiary.strategy@education.govt.nz



**The Tertiary Education 2021 Annual Maximum Fee Movement (AMFM)**

This submission is in response to the Minister of Education's proposed 1.1% AMFM for tertiary education providers in 2021. This submission is made by Lincoln University (LU).

**Recommendation**

Lincoln University has planned for a 2% increase in our business case submissions to the Crown and in our long term strategic modelling. While we understand the rationale for the proposed 1.1% increase, we strongly recommend that at least a 1.5% AMFM increase should be allowed for. The key reasons for this recommended minimum 1.5% AMFM increase are included in this submission.

**Sound Financial Planning and Forecast**

LU has in its business case submissions to the Crown and in its financial planning and forecasting for 2021 assumed a 2% increase, which has been consistently applied for a number of years. While this low percentage increase each year consistently falls short of providing the tuition funding required to effectively cover salary and operating cost increases each year, the University has managed to achieve the minimum 3% low risk operating surplus to revenue returns by subsidising teaching from other revenue sources. This lower AMFM percentage increase proposed by the Minister of Education places an additional burden on the University to continue to meet its low risk performance benchmark.

**COVID-19 Pandemic Travel Restrictions**

The adverse impact on the University's revenues of the travel restrictions both in 2020 and anticipated for 2021 are substantial. The adverse impact on the 2020 annual revenues of the pandemic is currently forecast to be in the range of 6% to 8%. Furthermore, the 2021 revenues will be more severely impacted due to cohort affects should the border remain closed to international students. The proposed reduced AMFM percentage places an additional burden on the University's ability to manage this already extremely difficult financial situation with lower international student enrollments in 2021 anticipated due to the ongoing travel restrictions.

**Cost containment and efficiencies**

The University has responded to the challenges of the COVID pandemic with urgency and determination. Both personnel and operating costs have been trimmed where possible and all discretionary cost has been avoided and only permitted where mission critical. As a result, the University has managed to balance the significantly revenue shortfall by reducing expenses, to achieve at best a breakeven bottom line. As the operating cost containment initiatives have now been exhausted, the lower AMFM increase for 2021 will increase the anticipated deficit in 2021.

**Academic Investment**

A key focus for the University is the reinvestment in quality academic resources, to enhance the teaching and research capabilities of the University, and promote a better overall student experience. The proposed lower AMFM reduces LU's ability to fund this improvement in academic resources and improve the overall student experience.

**Technology and Remote Delivery**

The challenges of the COVID pandemic has brought into sharp focus the need to have quality effective distance learning platforms and solutions. The reduced AMFM % places an additional burden on the University's ability to meet these technology challenges.

**Operating Cashflows and Capital Development Programme**

Retaining strong operating cashflows is a key element of ensuring adequate funding for the University's Capital Development Programme. This unplanned and unexpected reduction in teaching revenues will place an additional burden on the University's allocation of funding to ensure we continue to meet our long term rebuild aspirations.

We strongly recommend that the Minister of Education approves at least a 1.5% AMFM increase for 2021 for the reasons noted above.

Yours sincerely

Bruce A McKenzie

**Professor Bruce McKenzie**

**Acting Vice-Chancellor**

VICTORIA UNIVERSITY OF WELLINGTON
TE HERENGA WAKA

PLANNING AND MANAGEMENT INFORMATION
VICTORIA UNIVERSITY OF WELLINGTON, PO Box 600, Wellington 6140, New Zealand
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10 August 2020

Ministry of Education
PO Box 1666
**Wellington 6140**

**Re Consultation on the Annual Maximum Fee Movement**

Thank you for the opportunity to provide input to the Minister of Education's intent to limit the annual maximum fee movement (AMFM) to 1.1%.

**Background to the AMFM**
In 1999 the Government froze fees and universities were unable to increase fees except for those courses outside the regulation. At that time, any fee differentials between universities were effectively locked in place. This inequity has continued.

In 2003 Government introduced the maxima fees regime which established fee maxima per course to take effect for the 2004 academic year.

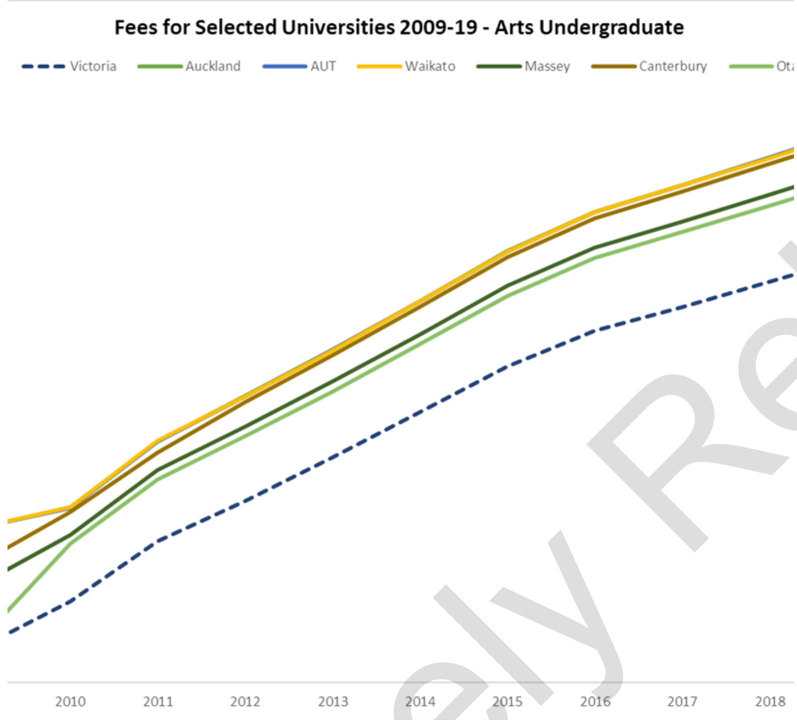
During the period of this policy, universities were permitted to increase fees by an annual maximum of 5% or to the fee maximum, whichever was the lower increment. This policy allowed universities with lower fees to begin to close the gap.

In 2005 the gap between the fees charged by Victoria University of Wellington for Humanities and Social Sciences courses and the maxima was as high as $782 per equivalent full time student (EFTS). By the time the policy was superseded in 2010 the largest gap was reduced to $404.

In 2010 Government replaced the fee maxima regime with a uniform maximum rate of annual increase across all university fees. The impact of this policy is that fee differentials between universities are not only locked in, but also, as all universities have and continue to increase their fees at the maximum percentage rate, ensured that those universities with the highest fees to begin with continue to increase the gap in dollar terms from those with lower fees.

**Consequences of the AMFM**
The result of this regime has been an inequity that has compounded over time and has disadvantaged Victoria University of Wellington by millions of dollars each year relative to the universities with the highest fees. Other universities such as Otago and AUT are also impacted by this inequity.

Victoria University of Wellington 's unique blend of Arts and Humanities has also been largely ignored by successive government budgets, which have allowed greater increases in rates in science, medicine and technology. Students taking Arts and Humanities courses represent almost 40% of our University, so the impact is fundamental to the current and future success of our students and the University as a whole. Because Victoria University of Wellington has, for the past 16 years, had the lowest tuition fees in Humanities & Social Sciences, and the second lowest tuition fees in Education it has further exacerbated the inequity of the AMFM. This situation has created a shortfall of revenue compared to other universities in New Zealand that is significant - an accumulated difference of approximately $26 million and growing. However, all universities in New Zealand are measured by the same criteria and are required to meet performance commitments that are the same for all. Victoria University of Wellington is operating in this environment with significantly less resources than others, which is an unreasonable expectation. A situation considerably exacerbated by COVID-19. The attached graph shows the extent of this disparity for fees in Humanities and Social Science.




Victoria University of Wellington considers that enabling an adjustment or amnesty for fees to allow this disparity to be rectified is essential.

**Why a 1.1% increase is insufficient**

Given the inequity of the AMFM a 1.1% maximum does not sufficiently fund the annual increase in costs to Victoria University of Wellington. The AMFM has at its base an assumption that we can sustain and absorb ongoing and indefinite reductions in real revenue below the increases in costs without impacting the quality of its delivery and infrastructure; this is erroneous. Victoria University of Wellington benchmarks itself against 22 Australian and New Zealand universities and has consistently been found to be amongst the most efficient and well below the cost and staff numbers expected of a university of our size, scale and aspirations.

Our requirement to upgrade and replace a significant building stock to meet earthquake strengthening requirements means that the absence of capital investment from Government must come from revenue increases which are not possible with the AMFM at 1.1%.

The AMFM being relative to CPI does not reflect the very tight labour market that exists both in Wellington and the higher education market in general. The university's work

force requires highly skilled workers in areas of employment where salary costs have increased above those of most other sectors. The NZ annual wage inflation as measured by the labour cost index ran at 2.5% in the 2020 first quarter – public sector wages rose 3.2%. The University's total people related costs increased 7.5% last year. This means that even with the 1.6% across the board increase to student achievement component funding there is still a significant shortfall in required funding. in addition to labour related costs, other key operating costs continue to increase at rates far in excess of CPI. From building insurance, to construction and refurbishment, and asbestos remediation, all of these costs have experienced double digit annual cost increases over recent years.
To help reduce the overall size of our funding deficit, we therefore request that a higher maximum of 1.5% be allowed for the 2021 year which balances the needs of the university and the financial pressures students currently face.

While too late to implement for 2021, we would also welcome the opportunity to participate in a review of the current AMFM mechanism so that for 2022 we can move to a new charging and fee increase mechanism that would help to address the inequity of the current AMFM.

Yours sincerely

Dr Leon Bakker
Director, Planning and Management Information

New Zealand International
COMMERCIAL PILOT ACADEMY

New Zealand International Commercial Pilot Academy Ltd
P O Box 899, Whanganui 4541
Ph: 06 927 6332

18 August 2020

Fee Maxima Submissions
Tertiary Education Policy
Ministry of Education
PO Box 1666
Wellington 6140

Via email: tertiary.strategy@education.govt.nz

To Whom it May Concern

Re: 8074 – NZ International Commercial Pilot Academy Ltd (NZICPA Ltd)

We wish to make a submission regarding the proposed 1.1% AMFM increase for 2021. We request consideration of maintaining the increase at a minimum of 2% as in previous years. We feel that a 2% increase will not have a major impact on those students wishing to enrol in aviation due to the Diploma being capped and therefore students currently make significant contribution to their training.

This proposed 1.1% increase means cost increases will be greater than income growth. Costs associated with compliance in aviation training continue to increase, with the recent implementation of the Part 100 Safety Management System ensuring effective safety cultures are implemented across all aviation organisations. Safety of our staff and students is a crucial aspect of our training across our organisation and is constantly monitored. Retention of staff is important and the previous and pending increase in the minimum wage also means wages increasing faster than income growth.

NZICPA has invested significantly in aviation training facilities, technology and aircraft and we train our students to the highest standard to ensure industry and safety requirements are met. To be able continue to attract students to the industry and offer high quality training this investment has been made and continues to be made in staff, aircraft and simulator training equipment. We have a very supportive Board and community which allows for this investment but NZICPA must be able to substantiate continued growth with the ability to increase prices to cover these and other related costs.

NZICPA understands and recognises the effect of the economic climate on ensuring students are engaged in active study post-school. Aviation continues to have good student enrolment enquiries and therefore organisations must be able to respond to this training with investment in the sector and to ensure when recovery happens the sector can provide the staff resources required.

We appreciate your time to reconsider this AMFM increase and are happy to have further discussion.

Yours faithfully

Phillip Bedford
CEO

Te Rito Maioha
Early Childhood New Zealand

**19 August 2020**

## Consultation on the Annual Maximum Fee Movement rate for 2021

We are pleased to provide feedback on the proposed Annual Maximum Fee Movement (AMFM) rate for 2021 as part of the Minister of Education's consultation process.

**About Te Rito Maioha Early Childhood New Zealand**

Te Rito Maioha Early Childhood New Zealand is a national organisation that promotes high-quality early childhood education (ECE) through initial teacher education, professional development, leadership programmes, advocacy and membership services.

As a membership organisation we represent early childhood education services and the teachers who provide education and care to thousands of infants, toddlers and young children. Our members are drawn from a diverse range of community-based and privately-owned education and care services, home-based services and kindergartens.

Te Rito Maioha is also one of New Zealand's top providers of initial teacher education for ECE teachers and is recognised as a leader in bicultural teacher education. We deliver a suite of qualifications and teacher education and professional development programmes that are of interest to both domestic and international students.

We are committed to high-quality early childhood care and education for every New Zealand child. That has been our purpose for 55 years since our formation in 1963, originally as the New Zealand Association of Childcare Centres and later as Te Tari Puna Ora o Aotearoa |NZ Childcare Association.

**Feedback on the proposed AMFM rate of 1.1% for 2021**

Whilst we support, the Minister's view that a lower AMFM for 2021 will be valuable to students and their whānau following the very real and difficult challenges resulting from Covid-19, we think it is important that the economic difficulties experienced by the PTE sector in the Covid-19 environment also be reflected in the AMFM.

Whilst an AMFM of 1.1% may allow "tertiary providers some flexibility to help cover increases to costs in 2021", it is the lowest AMFM since its introduction in 2010 and comes at a time when the extraordinary impact of Covid-19 is posing unprecedented challenges for our economy.

Although we do not operate in a high-margin environment, we invest as much as we can in our tauira, staff and technology to provide a world class education experience for our tauira. The effect of an AMFM of only 1.1% will place pressure on our revenue levels and make it more difficult to maintain our high standards and meet the expectations of our students whilst maintaining a motivated workforce and operating in a fiscally prudent and sustainable manner.

Given the uncertain economic environment caused by Covid-19 we are of the view that an AMFM of 1.5%-2.0% for 2021 would provide greater balance in supporting both students and recognizing the strain Covid-19 has placed on PTEs, and better acknowledge and support the need for a strong, vibrant and sustainable PTE sector.

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Submission to the Ministry of Education by 20 August 2020 : tertiary.strategy@education.govt.nz

Key contact for Te Rito Maioha Early Childhood New Zealand:
Kathy Wolfe, Chief Executive
kathy.wolfe@ecnz.ac.nz | 04 471 6802

## Submission by Yoobee Colleges, regarding **Tertiary Education (2021 Fee Maxima) Notice 2020**.

https://gazette.govt.nz/notice/id/2020-go3352

Regarding the proposed changes, Yoobee Colleges would like to make the following comments:

**Fees for micro-credentials (point 17)**

The per credit fee of $60 (GST inclusive) for micro-credentials is too low from the outset. For a 120-credit programme this would accumulate to an acceptable student of $7,200. However, as most credentials are far shorter, the higher cost of running the programme therefore warrants a higher pro-rate cost. To explain the higher running cost:

- Highly experienced tutors need to be attracted, often on a part-time basis, which means the per hour fee is higher than for a tutor that is attracted for a 120-credit programme.
- Due to often short term/part-time work, there is a higher turn-over of staff, therefore a higher staff recruitment cost in these programmes
- Marketing / Sales / Administration will take a similar amount of time (such as enrolment documentation, public trust set-up, credit reporting, etc.) These efforts would be the same regardless of the length/size of the programme
- Micro-credentials are set out as highly agile programmes, programmes have been accredited by NZQA and need to undergo similar monitoring activities as larger National Qualifications, again effort is similar, so pro-rata reduction will make the micro-credential unviable.

Yoobee Colleges has been keen to develop these programmes and provide students with formally recognised credits for the learning they have undertaken. While we are keen to make this work, at this price point, we only see two potential options: 1) Only offer the learning online, rather than providing students with a choice between online / on-campus; 2) Not offer the accredited micro-credential in favour of offering the same material as a non-accredited short courses. Student fees are not controlled in this environment. At this stage, the fee (maxima) + TEC funding is substantially less than what we would offer for similar short courses. We are keen to pass on the funding we receive from TEC as a discount towards the student, but the proposed scenario does not make this possible.

**Apply for exemption on micro-credential fee maxima (point 19, 20 and 21)**

This allowance is encouraged, but as set out under point 17, with the fees at $60 per credit, this would be the rule, rather than the exception. Any 'application for exemption' is a cumbersome process. With tight budget constrains all around, finding time and expertise to make such submission is costly and time-consuming. Given that the $60 per credit fee is across all NZSCED categories, it does not leave a lot of room to ensure more niche / costly / favourable micro-credentials receive recognition of the need for a higher fee upfront.

**Micro-credentials that are part of a SAC funded course (point 18)**

Currently, this is not possible, as strict guidelines were put in place that micro-credentials would not be able to be the same as teaching that is already covered in a larger programme. This idea is currently being discussed with NZQA (as in stackable micro-credentials), but this is still in the consultation stage. This point appears to be obsolete. Even if the content is similar to content delivered in a larger programme, reporting would need to be either via the larger programme (with SAC funding) or as a micro-credential (with micro-credential funding). Perhaps this point is not clearly described.

**Fee Setting Limits for New Courses or Training Schemes (point 11)**
Capping fees by taking the 75-percentile will have a considerable effect on lowering the fees. At this stage, the fee maximum is also provided by TEC, although the calculation for this is unknown. While it is appreciated that information on the courses that this is based on will be provided, it is likely that courses are compared nationally. Operational costs for centres in bigger cities such as Auckland and Wellington will be much higher than cost for centres operated in more regional towns. Therefore, working off the 75-percentile basis without taking into consideration things like provider locations, will provide an unfair disadvantage to some.

In order to stay current with the industry, providers undertake regular programme reviews and make changes to their programmes/courses on a regular basis. This system of basis new courses on current 75-precentile will disadvantage providers that have regular course changes/new courses as with each iteration course fee will be scaled down. Providers that run the same unchanged programme, will not see this effect.

**Exceptions to Fee Maxima (point 7)**
While it is understood that the Fee Maxima increase of 1.1% is set in line with inflation, it does not account for the increase in compliance (e.g. administration of fee maxima, audits, consistency reviews, etc.) where providers need to provide more data/reports than before where the increase of inflation year-on-year does not account for the steady increase in compliance cost.

**Exceptions to Fee Maxima – programme performance (point 8b)**
While it is understood that the TEC would like to provide support to high performing providers rather than low performing providers. However, it is suggested that perhaps a more holistic approach could be taken in this instance. To explain, if the TEO is generally a high performing TEO with many programmes performing above the performance benchmarks, a request for an exemption on an important (but less performing programme) will then be declined, preventing an otherwise worthy programme / group of student with the support that may be needed (for instance, higher additional tutoring support in order to provide more close attention to students). Perhaps these rules can be set differently, while still allowing high performing TEOs to receive the support they request.