



**“Working Together for Export Education”  
Immigration Conference  
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**Introduction**

Thank you. It is great to be back in the winterless north – my third time in two weeks!

I am delighted to address you today on the topic of “Working Together for Export Education”. This title, while it might sound a little glib, it was deliberately chosen to emphasise the need and desire from the education export industry to work in partnership with the Department of Labour, to discuss issues openly and seek to find areas where we can maximise those values that we hold in common. Certainly, working together is significantly better than working separately.

In my presentation today, I would like to talk about the lens that the education export industry views the world through, New Zealand’s sources of comparative advantage in export education, and how immigration can support, or even maximise these sources of comparative advantage.

But first, I would like to start by taking a step back from immigration and examining the contribution that the education export industry makes to the New Zealand economy.

**Value of Education Exports**

One of the most significant features of the global education sector over the last decade has been the phenomenal growth in demand for international education. In 2000 there were an estimated 1.8 million international students educated outside of their home country in various educational institutions around the world.

More than half a million international students study in the United States, 370,000 study in Australia and approximately 82,000 study in New Zealand's institutions. These students contribute over US \$11 billion to the US economy, AUD \$5 billion to the Australian economy and in 2006 NZD \$1.8 billion to the New Zealand economy annually. International education for several years now, education exports have been one of the top five export earners for the New Zealand economy.

In addition to the foreign exchange revenue, there are a wide range of benefits accruing from export education for individuals, institutions and the nation. These benefits are important because they underscore the strategic significance of the Industry. Many of these benefits are well known to you, but it is always useful, especially for incoming Minister's, to remind ourselves again of these benefits:

Political:

- Alumni (international linkages – political, trade, diplomatic and commercial benefits);
- Educational diplomacy – education can play a vital role at a political level in building bridges between countries and across geo-political lines. This often overlooked function has taken on a new importance in recent times.
- Helps build an awareness of the international environment by New Zealanders and an awareness of New Zealand's place in the world.

Economic:

- Expenditure on tuition fees and materials within institutions, with employment and consumption effects.
- Expenditure on living expenses, with employment and consumption effects.
- Additional tax revenue for the Government in the form of direct GST payments on fees, materials and living expenses and indirectly through added employment and consumption.
- Builds New Zealand's human capital in the medium to long term through: (i) the development of New Zealanders with an outward looking/international orientation; and (ii) the attraction of new talent and skills through migration linked to international students. Note that international students that permanently migrate to New Zealand are more readily able to adapt to this country, without having their education subsidised by the NZ taxpayer.

Educational

- Cross-fertilisation of knowledge - builds innovation and research (especially at the postgraduate level);
- International education initiatives can mean access to courses of study that might not otherwise be available;
- Institutions use the income generated from export education activities to invest in their ongoing development, for example by improving facilities and increasing staffing;
- Teaching and learning programmes for domestic students can be enhanced by the participation of international students; and
- Staff benefit from international linkages, and from achieving greater competence in cross cultural teaching.

Social

- Both domestic and international students benefit from exposure to other cultures and perspectives, enabling them to develop skills to succeed in cross-cultural contexts; and
- International students also offer opportunities to develop personal and institutional relationships of long-term value.

For those of us who have been in the industry a while, this list of proven benefits is familiar territory. I have presented this list to key decision makers probably 30 or 40 times in the three years that I have been Chief Executive of Education New Zealand. It is easy to become blasé about these positive externalities.

However, we cannot, neither can the government, nor the New Zealand public.

The education export industry is one of the most strategically significant on the journey to the economic transformation of the New Zealand economy. While a fair chunk of New Zealand may think that our economic future resides on the backs of farmers, this has been true of the past. However, our future destiny is coupling this with knowledge based industries – of which education is the centrepiece.

With this background in mind, I would argue that there is a need to carefully assess the case for immigration regulatory controls that have the potential to negatively impact upon the Industry.

### **The Interaction of Immigration Policy and Export Education**

Immigration policy affects the export education industry by:

- limiting the actual size of the potential client pool, and
- affecting the attractiveness of the product, namely a study experience in New Zealand.

The client pool is widened or constrained by requirements around entry to NZ. The attractiveness of the service provided may, for some potential clients, be affected by limitations on what they can do when in New Zealand. For example, a lack of work rights may make the New Zealand option less appealing.

Immigration options such as work permits or permanent residence after study would make New Zealand more attractive to some potential clients.

In addition, transparency and consistency in rules makes the product and purchase easier for potential clients. Service delivery by the immigration authorities - such as quick processing of applicants – also can positively affect the experience of potential clients and their agents. This comes back to a notion of comparative advantage for those considering or applying to other countries.

### **The industry lens: comparative advantage**

Success in international trade is premised on the notion of comparative advantage. The theory is that a country will be successful in trading a particular good or service if that country has a comparative advantage – meaning it can produce that good or service to a better quality and/or at a cheaper cost of production.

Having the right product is a good start, but technology, research and development, good marketing, entrepreneurship, and a capable workforce are all part of the formula. The most important factor over the longer term is profitability. If the product can't make a profit over the longer term, it will ultimately be unsuccessful.

There are clearly a range of factors, as discussed in the following section, that come into consideration when a student is selecting a course of study and a country in which to undertake that study. Determining the relative importance of the factors that contribute to comparative advantage is problematic, and of course the ranking will vary from market to market.

### **Sources of comparative advantage in export education**

There are several sources of comparative advantage:

- 1) Is it the sort of place students want to go to? This may include factors such as climate, scenery, adventure tourism
- 2) Socio-political factors. Related to the first point, socio-political issues – such as quality of pastoral care, crime rates and racial tolerance.
- 3) Cost.
- 4) Quality of learning institution, quality of teaching staff and quality of outputs will have a bearing on the decision to study in a particular country and institution.
- 5) Cohesive Industry. The degree of cohesiveness of the industry is also an important factor in terms of long-term success.
- 6) Strength of quality assurance and accreditation systems.
- 7) Portability of qualifications is important.
- 8) Marketing – getting New Zealand onto the radar screen in a positive manner.
- 9) Quality of support services.

Last, but certainly not least, there are two further critical sources of comparative advantage that I want to focus on today.

- 10) Immigration Policy. There is no doubt that immigration policy is one of the important considerations in deciding where to undertake study in a particular country. Issues such as facilitating entry into the country, compliance costs and enforcement are all important factors. As is the political tone towards immigration. This also extends to work rights while in the country and pathways from study to permanent residency.

- 11) An enabling policy and regulatory environment. In order to thrive in the long term, the industry require a policy and regulatory environment that facilitates growth while managing risks.

### **Comparative advantage in Immigration**

So, having outlined the education export industry's comparative advantage framework, our strong view is that immigration policy is one of the most critical elements within this framework.

At a macro level, immigration policy factors include:

- the cost of the process, be they direct costs or compliance costs;
- the bureaucracy and complexity of the process;
- rules around work rights, i.e. when a foreign fee paying student can and can't work;
- pathways to permanent residency;
- how long it takes for an application to be processed;
- the consistency and transparency of decisions made on applications; and
- compliance and enforcement of rules once in the country.

While this all sounds fine, this is the lens through which the industry views the world. While I realise that I'm not in a position to speculate to what extent the Government may or may not share our view through this lens, I will go out on a limb and offer a view. Broadly, I do think they share this view, and certainly the e-Branch has been a leader in this area. But it should be noted that on immigration the Government has to view the world through two lenses – comparative advantage to enable the industry, and managing immigration risk.

Depending upon which eye the government is looking through at the time, the industry often perceives immigration policy settings as either "pro-industry" or "anti-industry". My personal view is that pro and anti is a little unfair. Immigration Officials have an important job to do to protect our borders and they need to balance this off against opening up to help us.

The key to achieving the right balance is talking to one another. To return to the theme of my speech, we need to work together.

In this spirit, there are several issues that we have been advocating on for the industry. I would now like to address these specific policy issues.

**Apparent Misuse of the Guardianship Visa (please note – the guardian visa section was not delivered as a result of the ministerial announcement earlier in the day)**

We have an issue with parents and/or guardians receiving work permits while their child is studying in New Zealand. It appears that the new guardianship visa, introduced in order to keep International Students safe, appears to be misused by guardians as a pathway to obtaining residency.

Our understanding of the guardian visa regulations is that international students should be living with a non working guardian for the period of the guardianship visa. Of particular concern is the high frequency of parents who have guardian visas and who are permitted to change these to work permits.

The apparent lowering of the threshold for granting international students parents residency/work permits has had an impact upon the export revenue received by schools. Schools' full fee paying programmes are affected as students are reclassified as domestic students and no longer able to be charged full fees – despite the school having to expend marketing monies in recruiting the student. This loss of revenue underscores the need for the policy framework to grant residency/work permits only to bona fide parents where they fill an essential skills gap for New Zealand.

**New Health Screening Requirements**

With the new health screening requirements that were implemented in November 2005, additional health checks are required for international students coming to study for periods longer than 6 months. Institutions report at least four problems that stem from this policy change:

Firstly, a shortage of the number of registered New Zealand Panel Doctors. Institutions report to us that a significant number of Australian panel doctors have already been vetted and approved by the Australian Government in many of the countries where New Zealand is seeking to recruit students. Our suggestion is that the Department of Labour simply request the Australian Government's list of Panel Doctors and register the same list of doctors.

The second problem is the high number of applications with Medical and X-ray Certificates that need to be referred to Wellington. At a wider level, the new policy of referring medical papers to Wellington goes against the policy of vetting and approving Panel Doctors. In other words, why go through the process of 'approving' Panel Doctors if Departmental staff are then going to second-guess or disbelieve their medical judgments?. As a result of the referrals to Wellington, processing times for student visas have now extended to 6 to 8 weeks if medical information has to be referred to Wellington. If further tests are required, these are referred back to the in-country Medical Assessor, then back to Wellington – with a further 4-6 week delay.

Associated with the second problem is the fiscal impact for prospective students when full medical assessments are required. With X-rays costing approximately NZD \$350, this is an added barrier for the successful recruitment of students to New Zealand.

The fourth problem that institutions are reporting is that New Zealand officials are reportedly questioning medical issues that are either trivial or very minor. For example, institutions have had prospective students' health questioned for such conditions as: (i) too much cholesterol; and (ii) being considered as overweight.

At a more strategic level, underpinning the health screening policy change is a stated need to ensure that international students do not impact on New Zealand's health services. However, it should be noted that under the Government's Compulsory Code of Practice for International Students, it is compulsory for incoming international students to hold medical insurance. It could be argued that with minimal fiscal risk to the New Zealand taxpayer, the increased health requirements are unnecessary - unless the condition can impact negatively upon other people within New Zealand, such as TB or AIDS.

### **New Health Screening Requirements**

Education New Zealand accepts that a number of international student applications are declined because they are not bona fide students. However, we would argue that perhaps a number fall into a 'grey-area' between Bona-Fide and Not Bona-Fide. To flatly decline these applicants, rather than automatically issuing them Limited Purpose Visas represents a significant economic loss to educational institutions and the New Zealand economy.

2464 student applicants were declined in 2004/05, with only 537 going on to lodge Limited Purpose Applications. The difference between these figures represents an economic loss of approximately \$67.5 million in foreign exchange revenue. With both these figures we accept that they include Not Bona-Fide students, but it does also include student applicants that fall into the "Grey-Area" and are by-default declined.

Of significant concern is that in declining applications DoL Posts are making educational judgments, that they are frankly not qualified to make. These judgments include declining applicants because their area of study looks suspect. For example, under current policy we would decline a qualified engineer who is seeking a career change and applies to study in New Zealand to become a chef. This cuts out a whole group of applicants – most of them in the mist of a mid-life crisis. Our message should be "New Zealand can help you with your mid-life crisis. Don't buy that Porsche – come to NZ and learn to become a barista!"

While I might make fun of this, in Asia this sort of thing is common as parents have been known to push their children into studying in particular fields – and those areas may not sit comfortably as those children mature into adults.

In summary, the economic loss from automatically declining applicants in the grey-area and not issuing them with Limited Purpose Visas is significant. We wish to request that the policy for “Grey-Area” students be looked at with a view towards officials encouraging declined applicants to apply for a Limited Purpose visa.

### **Work-Rights for English Language Institutions**

In 2005, Education New Zealand worked with the Department of Labour on the Review of Student Immigration Policy. The outcome of the review was announced on 15 April 2005. Overall, the industry was very pleased with the outcome of the Review, and welcomed the more education export industry-friendly policy settings. However, one element of the Review failed to find favour with the English language sector – the maintenance of restrictions for workrights for students enrolled in English language courses (while restrictions were lifted for other sectors).

Education New Zealand favours the position that the industry put to Ministers in 2005 – that is matching Australia’s policy settings. So long as students are not behaving in a way that is deleterious to New Zealand, the restriction should be removed. Maintaining the restriction also maintains a competitive disadvantage, relative to our competitors.

### **Expansion of On-Line Processing**

The Department of Labour’s e-branch initiative has been particularly successful, and has been welcomed by Education New Zealand and the wider industry. However, at present only 24 educational institutions qualify for the on-line scheme. Education New Zealand supports the expansion of this on-line facility.

### **Conclusion**

In conclusion, the Education Export Industry is deeply committed to the short term and long term growth of this country. The former in the form of \$1.8 billion per annum in foreign exchange earnings generated by the industry, and the latter in the form of long term human capital development for New Zealand.

Supportive immigration policy and practice can greatly assist the Education Export Industry. We are keen to work in a positive partnership with government to maximise the substantial benefits accruing from education exports, both in the short and long run.

Thank you for your attention, and I wish you well for the remainder of the conference.