Canada Language Council: Conference 2006

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Welcome, and thank-you.

I want to first acknowledge Jay and the CLC for inviting me over here, and especially my good friend Robyn Inman – not only a diva of the industry in Canada, but Chair of the global associations network GAELA and known and respected from Vancouver to Venice to Vladivostok.

You might be wondering – who is this person? Who or what is ENZ? And what can they tell us?

But today I want to be genuinely free and frank. In my view, we all learn from each other, and sharing information and ideas helps everyone even in a competitive world. Over the next few minutes I want to tell you a little bit about:

- ENZ
- About the overall international educational industry in New Zealand and how it has shaped over the last few years
- About the way our industry is structured and the compliance requirements
- And about some of the things that we do to support the industry.

ENZ – the peak industry body for all international education in NZ, including schools, private language institutions, private tertiary trainers, polytechs, institutes of technology and universities. Industry owned trust, with industry representative board. ENZ is an industry owned trust – although we work with the Government on many issues, we are not part of Government.

ENZ has 5 main functions:

- Industry Advocacy
- Communication and information reticulation
- Generic Promotion
- Management of collective Industry resources (Levy of .45% of gross tuition)
- Management of Government resources (scholarships, innovation funding)

I will return to some of these later.

Enough about us.
Let's have a look at the size and scope of the industry in New Zealand, where it came from and where it is.

In passing it may be interesting for you to know that over 80% by value of international education in NZ is undertaken by state owned institutions. Related to this is the fact that an even greater % of the business is undertaken by institutions for which it is not their core business. This has a variety of implication especially around investment and positioning – especially when times are tough.

But whatever way you look at it, international education in NZ has been a huge success story over the last decade.
In 1997: 30, 495 students overall - $454million of earnings
In 2005: 97,441 students overall - $2billion of earnings.

But within this, there has been a story of ambition, growth, drama, tension and for some, disaster.

State institutions were permitted to enter the market for fee paying international students in 1989. Prior to that there had been exchange students etc, and a small but effective group of private language schools.
During the 90's the industry grew to reach its 1997 size. The Asian financial situation plateaued growth around that time but in 2000, the industry took off. By 2003 we had hit a peak of over 120,000 students.

Why? In a word, China. In 1997, New Zealand had 814 students from China. By 2003, 53,000.

Some people may have thought (or hoped) that this rate of growth would continue indefinitely. If it had....

1997 = < 1000

2003 = 53,000

2007 = 1,000,000

2013 = 42,000,000....

Not plausible. But you can picture the scene – capacity surging behind growth, institutions ramping up in teachers and facilities, all looked like plain sailing – until 2003/04 when in economic parlance we had a hard landing.

Lets have a look at the English language sector where the rise was even more meteoric – and the subsequent decline equally so.

1997: 18,499

2000: 18,054

2001: 26,203

2002: 41,725

2003: 69,494

2004: 42,641

2005: 30,700 (approx)

So where are we at the moment? The schools sector has declined as well – not as spectacularly, but there has been a drift down – exacerbated when economics become marginal (i.e. there is no longer a critical mass).

The tertiaries have stayed firm, although there is still a significant Chinese 'bulge moving through the snake'. But they have significant markets (e.g. the USA and India) that are not so relevant to English language – even so, the rate of increase from other markets will not compensate entirely in the short term the China decline. However, they know and understand this, and can plan for it.

So, what went wrong? What happened to the Chinese Eldorado?

Much the same as what happened to the Cadillac Eldorado I think.

The market moved, the competition strengthened and there was an aspect of the wrong people getting into the market for the wrong reasons on all sides of the ledger.

You will all appreciate that growing an industry over 300% in 4 years will bring not only some opportunity players to the market, but create severe issues for even the best operators. Concurrent with this were some Chinese governmental concerns over the quantity and quality of their student outflow. All this came to a head in 2003 with a couple of language school financial failures (although this is hardly unique to New Zealand) and a strong official Chinese push to cast aspersions on New Zealand as a language destination.

At which point, the structure of the industry was brought into sharp relief, and some additional steps were taken to 'legislate for quality' although quality is extraordinarily hard to legislate for – it is more something that comes from within rather than without.

So how is the NZ system structured? And what compliance measures do our institutions have to meet?

Education in New Zealand is organised on a national basis – we don't have state or provincial layers. There are just two steps of governance:

- The institution
- The Ministry of Education

Every institution that has international students, whether they have 1 student (some schools) or over 5,000 (Auckland University) and whether private or public has to comply with 2 compulsory legislative standards:
Academically its courses must be accredited by the New Zealand Qualifications Authority (NZQA) (the NZVCC's in the case of universities; this is also the accrediting body for degree level and above)
In respect of out of classroom care for international students, they must be a signatory to the Code of Practice for Pastoral Care – a lengthy piece of compliance legislation with differing regimes dependent on student age. It covers a host of areas including fees security, accommodation standards etc.
No NZQA and/or No CoP = No Students. No exceptions.

Language schools are on a variable cycle audit, with the longest cycle for the best being 3 years. Summarised audit reports are publicly available.

Primary and Secondary schools are quality assured via the Governments Education Review Office, which also has specific responsibilities around international students. ERO reports are also publicly available.

In addition, many aspects of education are protected in New Zealand. For example, words like ‘university’ and ‘degree’ have a specific meaning and are legally protected.

I would venture to suggest that New Zealand has the most comprehensive and probably pervasive mandatory environment anywhere in the world. Of course, regulations are one thing – execution and performance another! However, the nett result is an extremely safe educational environment for any international student.

I mentioned earlier the overwhelming preponderance of state (by which I mean national government) provision. Public education provision is very entrenched in New Zealand and the ethos that every New Zealander must have genuine access to an equal quality of education no matter who they are or where they live runs deep.

One of the by-products of this is that there has been an inevitable gulf between public and private education in New Zealand. Private education is relatively confined. Tensions have been generated by the entry of state institutions into the commercial international education market – obviously they compete with private providers and both sides are of the view that the playing field is not always level. One of the big challenges that Education New Zealand has faced is in trying to get the industry to speak with a united voice – I will not say we have succeeded entirely but we are much further ahead than we used to be! The pragmatic reality is that there are many issues of common concern regardless of ownership, and there is an increasing realisation across the sectors that if they do not hang together they may well hang separately.

There are about 150 private English language schools across New Zealand – down from a peak of about 180 a few years ago, but not down as much as you might imagine given the market. Over half of them are in Auckland and another 20% in Christchurch. In addition, many of the state tertiary providers have their own in house English and foundation programmes. There are some formal articulations between institutions – but not as many as there should be. All providers, as noted, are on a common qualifications framework, so in theory there are seamless pathways between sectors.

Some of the big international chains are present in New Zealand, but the standard model is the ‘owner operator’ school. Multiple campuses are the exception rather than the rule. Consolidation is occurring, but more as a result of institutions ‘fading away’ rather than spectacular mergers, or worse, spectacular failures.

About 60 private language schools belong to a national lobby group called APPEL (Association of private providers of English language). There is also a strong marketing group of English language schools with just over 20 members, called English New Zealand. This is a marketing and standards grouping, and they have there own quality measures. This does not negate them having to comply with the national standards however. It would be fair to say that the members of English NZ are very good schools – but there are also very good schools that are not members of English New Zealand! They recently incorporated the University of Auckland’s language school into their group – the first state owned provider to be included and a bit of a breakthrough in private vs. state sector relations.

So where does Education New Zealand sit, and what do we do to support the industry?
We do not have members – we work on behalf of the entire industry.
Our advocacy work will come as no surprise – it includes immigration policy, allocation of government resourcing, policy advice and critique – a host of areas. We have got some important runs on the boards across these areas, but it is always a ‘work in progress’. To give an example, our current efforts in immigration policy advocacy are centred around:

- Prioritisation of student permits (because students more than workers or long term migrants are likely to be considering and/or have a choice of countries)
- Harmonisation of requirements with other countries where possible, e.g. health requirements (not sensible to have significant differences with the likes of Australia)
- Enhanced Workright
- Processing speed and efficiency (especially in view of NZ not having broad offshore in-country processing)
- Changes to be done with regard to minimising impact in either timing or compliance
- Regulations around changing institutions
- Consistency

- Expansion of on-line
- Active policy management through comparison and benchmarking (rather than static policy)

Our generic marketing and promotion is a large part of our work. ENZ manages what we call the PACE programme, which is an integrated set of marketing activities that institutions can participate in. For 2006, the plan includes:

- Agent visits from 19 countries – this will involve about 90-100 agents. Agents come in small groups and travel through New Zealand for around 10 days, visiting a range of institutions.

- New Zealand specific Fairs – around 36 in 11 different countries, plus some supplementary seminars and a couple of joint Fairs – one with Australia and a tertiary specific Fair in Japan with Ireland and Canada

- Organised New Zealand pavilions in around 20 commercial fairs and expos in about 8 different markets.

We also own and manage the generic student portal website for New Zealand education www.newzealandeducated.com which generates about 80,000 visits per month and is linked through to participating institutions websites, and the Study in New Zealand range of directories which include about 12 different language editions and are distributed globally.

This range of activities involves about 700 institutional participations annually. Participation is optional, and generally involves the participants paying some if not all of the overall cost. We do use additional generic resources where we can to both increase impact and reduce institutional costs.

So where to from here for New Zealand?

There is no doubt that the industry has transformed significantly over the last decade. Some are wiser, some are sadder, some are both. An overall characteristic has been the continued shift towards tertiary measured by both volume and value. The past couple of years have seen a sorting of the players from the stayers. International education has proven to be good business, but not fast buck business.

New Zealand’s challenges remain.

- How does a small country that is not best known for education (no matter how good it is) get onto the international student choice set?

- We are a long way from many markets (but a long way from most of the trouble in the world as well!)

- We have had considerable currency appreciation, which impacts the value equation

- We have a 900 pound gorilla competitor next door (even though its us that make movies about big gorillas)

- We don’t have huge resources

- Individually are institutions are generally small, with a relatively low capital base

- There seems to be a lot of red tape

Frankly, most of these issues are beyond the scope of industry to control. We look at other countries that are bigger and better known with some envy. But we (New Zealand I mean) do have pluses:

- We are small – for which read nimble, non threatening and nice guys!

- We have a good product across all sectors both in and out of the classroom

- We have excellent experienced and committed people

- As an industry we do talk between ourselves – some of the time

- We have the ear of Government and stakeholders – (not that they always listen in the way that we would like!)

There has been much discussion about diversification both in market sources and modes of supply. In most cases, it is easier to talk about than achieve. The primary manifestation of international education in New Zealand for the medium term will be in students physically coming to New Zealand.

Can I close by thanking you for this opportunity. I hope the real value in my participation will not only be in what I have said this morning, but also in talking with you and answering your questions over the time of your Conference.