Opening Address
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Introduction

It is a great honour to set the scene for New Zealand's 13th International Education Conference.

It has been just over a year since I took up the position of Chief Executive of Education New Zealand. And what a year it has been!

In the period since we all got together last August, there has been an intense spotlight on the industry – from politicians, to the media to the wider community. I think it's fair to say that at times this spotlight has not always been welcome, and has occasionally portrayed the industry in a less than positive light.

This morning I would like to leave you with just one simple message. The last 12 months have been tough. However, there is an upside from the year that was. I believe that as a result of last year, the industry is now stronger, more united, and therefore better positioned to take advantage of global opportunities that exist.

Before turning to those opportunities, I would like to offer up a brief review of the past year.

State of the Industry: 2003/04

I believe the last twelve months can be summarised by the following quote from the 19th Century German philosopher, Nietzsche:

"That which doesn't kill you makes you stronger!"

An alternative summary quote could be from Charles Dickens:

"It was the best of times, it was the worst of times".

However, my favourite quote to summarise last year comes from that well know academic and intellectual, Clint Eastwood:

"The Good, The Bad and the Ugly"

I'm sure many of you are familiar with the details, but at risk of preaching to the converted, I would like to give you a very brief overview of the year that was.

- at last year's Conference we had the first public warning that the Chinese Government had concerns at senior levels about New Zealand's education export performance;
- shortly afterwards we had two high profile liquidations: Modern Age and Carich;

- we have also seen a run of private providers exiting the industry with 29 Code of Practice PTEs closing their doors in the last year. Most of these have been voluntary closures, but there have also been some other liquidations and receiverships;
- over the last 12 months there has also been an ongoing high level dialogue with the Chinese Government about pastoral care concerns; and student fee protections in PTEs.
- we have received a request for a list of 'top quality' PTEs from the Chinese Government for their Study Abroad website. This is the so-called 'China List' that you have heard so much about;
- then a number of stories emerged from within China about growing levels of unemployment for Chinese students returning to the mainland with foreign qualifications. Many of you will have heard of the references to "sea turtles being caught in a soup" – suggesting that foreign qualifications are no longer seen as a guarantee to a highly paid job on return to China;
- we then had several high profile pastoral care incidents involving international students;
- as a result of this and other factors, enrolments started to slump – both in absolute numbers and our market share relative to our competitors. All sectors have been affected, but some have had a short term parachute as students from 2002 continue to staircase through the system.
- at a policy level, we then had a range of domestic debates about the regulatory and policy framework for international education. These debates included the Government introducing legislation to raise the Levy for all PTEs to cover the cost of financial bailouts – both retrospectively and in the future. We also had a lengthy dialogue about student fee protection policy.

In addition to all of this, or perhaps as a result of it, the industry appeared to be almost relentlessly portrayed in a negative light through the media. These headlines represent a small sample of the picture portrayed to the New Zealand public about our industry.

If these were the issues and public perceptions, let's look at some hard data. Perhaps this can help us shed some additional light on what has been happening.

This chart summarises Ministry of Education, Immigration Service and Department of Statistics figures. The figures represent an annual cumulative total. As you can see, the short term trend is down, with this downturn largely coming out of China and Korea. However, these annual snapshots do not reveal what has been happening in the last few months.

This chart is the new monthly data set from Immigration Service. Beware of comparing apples and oranges, because it is a different data set from what I have just shown you. Also, monthly data does not take into account seasonal variations that are averaged out over the course of a full year. However, this chart is interesting because it does reveal a definite trend, and over time this data set will also include seasonal variations.

The third chart I would like to show you is the movement of the Kiwi dollar. Some commentators have targeted the dollar as the reason that we are losing market share to the likes of Australia.

This chart tracks the movement of the Kiwi and the Aussie against the Greenback. As you can see, sure the Kiwi dollar has made ground against the greenback, but we are on a parallel track with the Aussie dollar. In other words, we are level pegging with the Aussie, and if we are losing a price advantage to anyone it is to the United States.

So is this resulting in a flow of students from New Zealand and Australia to the United States? Not so it appears.

Australia is still doing well. In 2004 they recruited 303,000 international students – an overall increase of 7% on 2003. In terms of markets: China: up 20%; India: up 27%; and Korea: up 19%.

Cutting the numbers the other way: Universities: up 17%; TAFE's up 5%; Schools: up 15% and PTE's: up 5%.

The UK is going similarly strong. In 2003 they recruited 174,000 non-EU international students: an increase of 23% over the previous year.

However, United States are not doing quite so well. In 2003 586,000 students were recruited to the US – an increase of just + 0.6%.

Revisit Values: four central purposes to involvement in international education

In many ways 2003/04 represented a watershed year. As an industry, I believe it is timely for us to go back to first principles by reassessing the fundamentals of what we value and why we are in this business. Once we have checked that these purposes remain integral to our current operation, only then we can start to move forward.

In terms of our values, it is worth reminding ourselves that there are four central purposes to international involvement. Briefly these are:

<u>1. Extending New Zealand's capacity to generate and apply knowledge</u>

Extending New Zealand's capacity to generate and apply knowledge. New Zealand's economic competitiveness is boosted by our processes of human capital formation. This involves education, a well targeted skilled migration programme, as well as knowledge discovery and application. International education contributes to all three of these.

In particular international education and research gives us access to the cutting edge of the world's new knowledge, and through this increased human capital, and ultimately economic growth.

<u>2. Underpinning New Zealand's foreign relations and trade</u>

The second value is underpinning New Zealand's foreign relations and trade. Personal and institutional ties are built through international education, making it easier for our executives and diplomats to do business with people familiar with New Zealand. There are diplomatic benefits from the establishment of networks of relationships enabling dialogue on sensitive and complex matters. There are economic benefits from business partnering. Strategically, international education forms part of our country's 'soft power armoury'.

<u>3. Developing global competence and understanding among New Zealanders</u>

The internationalisation of education is fundamentally about transforming individuals, widening their mental horizons, being open to new ideas, developing their skills for global engagement and promoting international friendships.

Through international education, young New Zealanders develop a global competence – effectively meaning that they can work in a variety of international contexts. Our young people have always been fairly savvy going and working in London. However, increasingly this global competence is expanding to include the likes of Hong Kong, Singapore, Beijing and Los Angeles. As New Zealand's trade interests continue to shift from being Euro-centric to Asia-Pacific, this global competence is becoming a critical component in New Zealand's human capital.

In addition to global competence, internationalisation also helps us understand ourselves more fully. The late Michael King suggested that New Zealand's society is underpinned by tolerance, and enriched by the mutual appreciation of cultural differences. While he largely focussed on the relationship between Maori and Pakeha, he also argued that in order to understand ourselves more fully, we must also extend those same values and appreciations to other global cultures.

I would like to suggest that as the look and feel of New Zealand's society becomes more multicultural, we must increasingly learn about other cultures and languages.

It is only through an informed, global view of our culture that we can understand our own society more fully.

<u>4. Growing New Zealand's exports of education services</u>

The last purpose of international education is that this business is actually a business. International education should not be an act of charity, unless part of a foreign aid programme. Making a reasonable return from providing a service that people want is not a sin.

Trade in education services is now valued at some $2.2 Billion per annum, thus contributing significantly to New Zealand's GDP. This is an impressive figure. However, the key point to note is that we are generating significant earnings each and every year.

To illustrate this important point, let's look at just the last ten years. Over this period New Zealand hosted a total of 459,000 international students. Put another way, this means that we collectively as an industry have brought to this country an equivalent of 1,100 Boeing 747's with every seat filled by an international student.

The economic benefit for New Zealand from this level of inbound visitors is huge. Extrapolating the Infometrics model across these students, their economic impact since 1994 has been roughly $ 8.7 Billion in today's dollars. This is an economic gain equivalent to nearly 15 America's Cup Regattas. And that is just the last 10 years.

At a national level, education exports are also generating around $220 million per annum in GST taxation revenue to the Government. Over and above the GST comes company and personal income tax that is generated by the economic activity of the industry.

So, just to summarise, there are a range of fundamental first principles that guide our decisions. Having reminded ourselves of these, the next step in maintaining our edge is to look at the demand, then supply, aspects of the business.

Demand Side Issues

There are four demand side issues that I would like to briefly traverse with you.

<u>1. Population Growth – demand for education services set to rise</u>

Firstly, population growth is driving demand for education services.

For a moment, just look at this map giving a snapshot of global demographic trends in the next 10 years or so.

The large circles represent megacities, and you can see from the size of the outer ring the projected growth rate between now and 2015. If we wrap the map another way by splitting it down the Atlantic Ocean, with North and South America to the right of New Zealand, suddenly you will notice that we are geographically at the centre of what is a huge population explosion. In other words, our neighbours are increasingly going to be the centre of the action politically, diplomatically and economically.

Our geography, which has so often worked against us, now ideally places us to capture a slice of the action.

2. Demand for international education set to rise:

Against this backdrop of growing demand for education, research released just a few weeks ago by the British Council and IDP reveals that global demand for cross-border education is set to rise dramatically. This research updates some of the earlier demand projection work that IDP did a few years back.

In summary, the factors contributing to the future demand scenario are:

- Projected population growth;
- Projected income growth;
- A projected increase in education participation rates;
- Projected educational infrastructure shortages in certain developing countries;
- A projected increase in financial accessibility through a wider variety of education funding options;
- Increased physical accessibility through new learning technologies and new modes of delivery; and
- A projected long term easing in regulatory requirements as a result of bilateral and multilateral trade deals.

What they predict is that global demand for international student places will rise from 2.1 million in 2003 to approximately 5.8 million by 2020.
Within this number, demand for education from the five main English speaking destination countries will increase from 1 million places to 2.6 million places.

Asia is predicted to dominate demand, representing 1.8 million places or 76 percent of the global demand for the five major English speaking countries.

This chart illustrates the demand predictions.

So what can we take from this? From a demand perspective, Asia should continue to be the major focus for the industry. In terms of the market diversification imperative, I would like to suggest that diversification *within* Asia is more realistic and achievable in the short term.

3. Increasingly discerning consumers:

As the global trade in education services has grown, I believe we are seeing the emergence of a consumer consciousness that is increasingly discerning. This, I believe, is one factor in our recent experience with China.

Added to this is the emergence of a more assertive attitude on the part of some foreign Governments with regard to export education. Certain offshore Government's are increasingly seeking to play a consumer advisory role. The motivation for the latter is likely to stem from a genuine concern for the individual purchasing decisions of their citizens. However, it could also have something to do with an import substitution drive, with concerns about foreign exchange drain with significant numbers of students studying overseas.

This has latter point is a relevant for Malaysia, who are now recruiting 50,000 international students per annum. But it could also have relevance for China, who are now recruiting 75,000 international students each year.

4. A few observations about our competitors:

The activities of our competitors are also having an impact upon demand for our education services.

Our traditional competitors, Australia, USA and the UK, have strong national brands that are serving them well through highly effective, coordinated positioning.

However, they do have issues that they are dealing with. Australian costs are increasing through increased Commonwealth Register charges. Their immigration charges are also escalating to a point where an Australian visa can cost over three times as much as a New Zealand visa.

The United States has its problems too with their Government taking a harder line with student visas following September 11. Also, and quite frankly, the United States is increasingly seen as less than welcoming to outsiders and decidedly unsafe with its frequent "red and orange level" national alerts.

However, despite these issues all three competitors are still doing well if we view it purely as a numbers game.

In the face of this growing competition, if we are to capture a greater share of future demand, we need to ensure that our supply side is priced competitively, is quality assured, is responsive to growing competitive pressures, builds capacity within the system, and is diversified.

So, let's spend a few minutes looking at our supply side issues.

Supply Side Issues

The first point I would like to make is that our supply side issues are complex and cross-cutting. I believe it massively over simplifies the problem if we single out one or two factors, or a single group within the industry and blame them for our past difficulties. While there are certainly sectoral and institutional issues, I believe the industry needs to take a look through a pan-industry frame at a range of more subtle, systemic issues. There are six that I would like to expand upon today:

1. Responding to a structural shift in the nature of our business.

At the conference last year I outlined for you the structural shift in the nature of our business with the emergence of new modes of supply. To date the bulk of our action has been, to use WTO-speak, on the 'consumption abroad' mode of supply - that is where the student moves from one country to another. Up until now, many of New Zealand's education providers have appeared slightly reluctant to fully engage with the other three modes of supply: 'commercial presence' involving offshore sub-campuses; 'presence of natural persons' with the movement of teachers and lecturers; and 'cross-border supply' where the service is delivered through distance education.

The conference noted that Australia has diversified its mode of supply so that 40% of the Chinese students it educates are educated at home in mainland China. This compares with New Zealand – where we are educating close to 100% of international students within these shores.

This shift in the business is not going away. With this in mind, offshore education is a prominent theme of this year's conference. The Government too has recognised the need to have a critical mass of providers who are diversifying their mode of supply, and this is reflected in its contestable pool for seed funding offshore innovation projects.

2. Our Brand: aligning marketing mechanisms with industry quality assurance mechanisms

One of the lessons from Modern Age is that we all have a vested interest in ensuring that our delivery matches the standards that are encapsulated in our brand values. The vast majority of providers are already doing this – but there are a very small number of providers in the industry that treat quality of service delivery as an irritant, and a compliance cost that must be minimised. I personally believe we must not tolerate this sort of behaviour, given the damage that one bad case can inflict upon the entire industry.

With this in mind, we have recently raised the quality bar for our 'Educated in New Zealand' brand. While it has always been aligned with a range of industry quality assurance mechanisms, we have recently added a fourth quality screen.

From now on the Brand and all of the other key national marketing initiatives will be aligned with NZQA's Audit Cycle list. Those institutions that are on a less than one year Audit Cycle will be ineligible to become a Brand user and participate in other national marketing programmes.

3. Perceptions around pastoral care:

At last year's conference we heard from John Shackelton from the British Council that the United Kingdom currently has no minimum standards for English language schools. Personally, I thought this was a staggering admission. However, this point is lost on commentators that are outside of the industry both within New Zealand and abroad.

As we know, New Zealand is one of the pace-setters internationally in terms of regulatory protections for international students.

The overwhelming majority of our institutions are offering world leading pastoral care, supported by the Compulsory Code of Practice and a comprehensive Code professional development programme. To illustrate this point, stop and think about the scale issue for a moment. Last year we had close to 120,000 international students in the country. Recent police statistics indicate that an average New Zealand city with a population of 120,000 can expect to experience an average of 1,500 incidents of violence and a further 2,300 drug or antisocial incidents.

Compare the figures I have just given you with the very small handful of incidents involving the entire national body of international students. When you think about in these comparative terms, I am sure you will agree that our institutions are doing an incredible job safeguarding the welfare of such a large body of people.

4. Moving beyond perceptions that we are purely commercial, especially in the eyes of foreign Governments:

For many years the industry has collectively accused the Government of supporting the industry on the cheap. Successive Governments have placed little, if any, dedicated investment into the bilateral education relationship in order to create an enabling environment for the industry to undertake trade.

This compares with countries such as Britain and Australia – both of which undertake a range of 'small but significant' activities that serve as a soft-sell for their wider education export business.

Both countries provide a range of study tours for key education officials, funding for research linkages, academic exchanges, alumni support and scholarships for international students.

By not making investments in the bilateral education relationship we have run the risk of being perceived as tight, mean and purely commercial.

In this context, the Government's recent package of long term relationship building initiatives is particularly welcome. The package includes funding for research collaboration, scholarships and a range of other items to support the efforts of the industry though a broadening of the bilateral education relationship.

The $40 million international education package is possibly the biggest single New Zealand Government initiative to support international education in thirty years, since the end of the Colombo Plan. But there is more to this package than the funding. I believe it represents a sea change in thinking on the part of the Government. It is an acknowledgement of the industry as a vital political, economic, educational and cultural contributor to the New Zealand economy.

<u>5. Steps along the continuum between Government management and Industry self management:</u>

Associated with this sea change, the Government also appears to recognise the growing professionalism and maturity of the industry. Up until very recently, the Government had held the view that the industry was not 'mature' enough to take a stronger role in regulating itself, providing leadership and shaping its own destiny. However, in recent years the industry has demonstrated its maturity to Government, we have demonstrated that we can work together in a common direction, and we have demonstrated that we are a big enough to tolerate a diversity of opinions, then rally behind a majority view. I believe these demonstrations have contributed to a rethink of the Government's earlier position.

The Government's shift in thinking is reflected in several recent decisions to increasingly empower the industry:

- firstly, they have charged the industry with identifying and actioning its own professional development, research, marketing and quality assurance through a range of industry reference groups. These reference groups oversee expenditure of industry good funds totalling $2 million per annum. The Levy projects are not a Government shopping list – they are a 100% reflection of the views and priorities of the Industry;
- secondly, on 1 July 2004 the Government transferred management of the Education Export Levy to Education New Zealand. This does not mean that the Levy comes into our financial accounts. What it means is that we, as the industry body, are charged with overseeing the administration and expenditure priorities of the Levy, as determined by you, the Industry.
- the third strand of empowerment is the Government's very strong support for the development of the Industry-Wide Strategy. The Strategy will serve as a tasking statement for future expenditure of industry good funds that are collected via the Levy;
- the final strand of empowerment is the official recognition by Cabinet of Education New Zealand as the industry body for education exporters. This means that we are on the cusp of a new exciting phase of industry development – with a rebalanced industry/Government partnership.

I use the word "partnership" because while we support the concept of taking some steps along the continuum between Government management of the industry and industry self management, our view is that there will always be a role for Government in this industry. With such a large percentage of the industry owned by the State, the Government has a strong ownership interest. Also, with the industry now New Zealand's third largest foreign exchange earner, the Government also has a strong strategic interest from an economic development perspective.

Education New Zealand's strategic partnerships with New Zealand Trade and Enterprise and the Ministry of Education reflect this Government/Industry partnership. ENZ as the industry body; NZTE as the economic development agency; and MoE as the ownership and education outcome agency.

These partnerships reflect a shared sense of responsibility between Government and Industry, rather than a "them and us adversarial" approach.

What is ENZ doing about this?

So, in summary, there are a range of demand and supply issues that are both complex and interactive. As in any economic model, the big question is what is the equilibrium point between supply and demand for New Zealand's education exports?

I would like to suggest that we had a boom year with China in 2002, and we are now approaching a more natural equilibrium between supply and demand. In the coming year Education New Zealand will be looking to use Levy funds to commission research into this equilibrium question.

But we are also have planned a range of other initiatives to advance the industry's interests to provide a platform for future growth. I would now like to mention briefly just a few of these:

<u>1. "The Vision Thing" - Development and Implementation of an industry wide Strategy on International Education:</u>

Firstly, with the support of the sector peak bodies, Education New Zealand has developed New Zealand's first Industry-Wide Strategy on International Education. This is the document that was publicly launched by our Chairman last night.

The Strategy is an industry-led, industry-wide, initiative that takes a medium term view of the issues confronting New Zealand's education exporters. It was developed through a process of robust consultation, with input from all sectoral peak bodies, as well as direct input from individual institutions.

Through the document, we are expressing our vision for ourselves in a more coherent, connected and collective way than at any time before in the short history of our industry. However, the Strategy is not just something that will just sit on a shelf and gather dust. It has real meaning because it now becomes a tasking statement for expenditure of the industry good monies that are collected through the Levy.

The Strategy acknowledges the competitive nature of the industry, and that at times this can create tensions. But it also acknowledges the interdependencies of the various sectors. What happens in one part of the industry impacts sideways on others.

The Strategy also presses the case for a wide range of learning pathways, collaborative networks and strategic alliances. Underpinning the document is an implicit encouragement of a blurring of the boundaries between the current vertical structures.

The Strategy provides a framework for an industry directed professional development programme, along with the development of a range of "tool boxes" to support the growing number of international education professionals within the system.

<u>2. Enhanced accessibility and accountability.</u>

During 2003, the ENZ website was rebuilt and relaunched as primarily an industry focused tool. The site provides a portal service for bringing together relevant Government and Industry information into a single on-line resource. The site is also the primary means of information reticulation for the activities and outcomes of the various Levy Reference Groups.

The industry site provides institutions, and their staff members, with a wide range of export education information and various professional development resources. The numbers appear to confirm that we are meeting a demand for the industry – as we receive between 450 and 650 visitors per day.

Over the coming year we will continue to build this valuable resource to increase its usefulness to you all. This will be particularly so as the new Levy funded research and professional development projects come on stream.

3. Industry Excellence Awards:

This year, for the first time, the collective Industry will recognise excellence from within. Last year we announced our intention to develop an awards scheme that spans both the business, educational and social aspects of international education.

I am delighted to say that we have received very strong support for the concept and that the inaugural Awards will be presented this evening by the Associate Minister of Education, Hon Steve Maharey.

The International Education Excellence Awards are similar to the Oscars and Halberg awards, where a large industry sourced electoral college votes to give professional recognition to their peers. Through this electoral college process, we are demonstrating a shared commitment to raising and maintaining standards, sharing and showcasing examples of excellent practice, as well as recognising and celebrating the achievements of our peers.

4. Domestic Industry Branding: Communications and Community Outreach:

Education New Zealand is also taking on a stronger domestic communications role on behalf of the industry. The need for a stronger domestic profile came out of the recent industry strategy process. This will involve a strengthened resource for proactive and reactive media liaison in order to advance the industry's interests.

A recent outcome of this resource was International Education Week. This nationwide programme was run over the past week, and included a dozen high profile activities involving international students to highlight their positive presence in New Zealand. The activities have ranged from an international student ball, to a soccer match to an International Student Quiz.

5. International Branding: evolving the New World Class Brand:

In response to both industry feedback and changes in the market place, the Educated in New Zealand brand is undergoing a formal evolution process. Peter Laurenson will provide an explanation about this process during his brand workshop tomorrow. However, just a couple of key points for you now.

In recognition of the need for our industry to embrace delivery of educational services beyond the New Zealand class room, we have moved from "Educated in New Zealand" to "New Zealand educated" – which encompasses distance learning, offshore campuses, twinning arrangements and so on.

And in order to be more overt about our "New Zealandness", quite a bit has been done to achieve this through the brand designs. See if you can spot some of the differences.

6. Evolution: The Industry Body Thing (Vision and rebranding of ENZ)

At Education New Zealand we have also undertaken some minor rebranding ourselves. As mentioned earlier, in March this year, the Government officially recognised Education New Zealand as the industry body, holding the mandate and authority to speak on behalf of the collective education export industry.

Individuals and institutions can and should identify with their sectoral clusters such as NZVCC, ITPNZ etc. Where Education New Zealand comes into play is at the umbrella level, where the industry's collective interests or participation is at stake.

Making up the 'NZ Inc' education export industry are: universities; ITP's; Colleges of Education; Private Tertiary Institutions; English Language Schools; Secondary Schools and Primary Schools. Collectively we come together as an industry.

Education New Zealand is the collective embodiment of this NZ Incorporated industry. Therefore it's very important for us to maintain connections with all the key players, both industry wide, across key Government agencies and with the public. This is reflected in our new logo, with each cluster or key player represented as an individual fern leaf.

So, collectively and connectedly we make up an industry which is working together towards a shared vision. Education New Zealand will do all it can to empower you in that pursuit.

Conclusion

At the beginning of my speech I said that I wanted to leave you with one simple message. That message was that despite the upheavals of the last 12 months, the industry is now stronger, more united, and therefore better positioned to take advantage of global opportunities that exist.

We now have a common medium term strategy that we are working to. The Strategy's action plan is backed up with resources to enable implementation. The Government has now come to the party with a financially and strategically significant international education package. And the Government is also keen for the industry to take more responsibility for its own destiny.

Education New Zealand, as your industry association, is working hard to ensure that we can use these initiatives and our collective strength to maintain our edge in the marketplace. We're looking forward with much excitement to working with you towards achieving this.

Thank you for your time.