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**'THE FUTURE OF INTERNATIONAL EDUCATION'**

**Introduction**

I am delighted to be here today to discuss with you some thoughts on the "Future of International Education".

It would be fair to say that as an industry we have had a rough couple of months. In these uncertain times, today's forum is very timely and I would like to thank Education Christchurch for taking the initiative in organising the Summit and for inviting me to speak today.

I realise that I have only 10 minutes to dwell on the topic, so I will get straight to the point.

**Short Term Outlook**

The short term outlook for certain sectors within our industry is unclear at present. The industry, and in particular the English language sector, has grown spectacularly in recent years. So much so, that casual observers might be led to believe that the industry is currently suffering from the speed wobbles. By 'wobbles', I am referring to:

- (i) firstly, the collapse of the Modern Age Institute and its aftermath both within New Zealand and abroad; and
- (ii) secondly, the increasingly difficult task of recruiting students from the People's Republic of China.

While the English language sector appears to have borne the brunt of these two events, the schooling and tertiary sectors have not been immune and appear to have been impacted upon to varying degrees.

In order to predict the short term future for the industry, we need to fully understand the issues and environmental factors that have created these two fairly significant events.

## Current Environment

I believe it massively over simplifies the problem if we single out one or two factors and blame them for the current difficulties in the marketplace. While bad headlines in the media, SARS, terrorism, etc have all had their impact, simply targeting these factors for the current set of problems is a simplification of what is really happening in the marketplace.

I would like to suggest that there are a range of more subtle and complex issues at play that are having an impact on the future of our business. I would now like to briefly focus on three of these issues:

A structural shift in the nature of our business. Our industry is rapidly diversifying – and I am not talking of geographic diversification. I am talking of diversification of the mode 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. Apart from a handful of industry pioneers, it appears to me that at this point of time that New Zealand's education providers appear slightly ambivalent towards the other three modes of supply: 'commercial presence' – where the institution moves (offshore sub-campus); 'presence of natural persons' – where the teacher, lecturer or consultant moves (fly-in and fly-out); and 'cross-border supply' – where nobody moves and the service is delivered through distance education (either postal or internet).

A comparison with Australia is worth making at this point. At present we are recruiting 35,000 Chinese students and bringing them to New Zealand. This compares with Australia who currently bring 31,000 Chinese students back to Australia – but also educate a further 20,000 students within mainland China. In other words, Australia has diversified its mode of supply so that 40% of the student body is now educated at home in China.

Our Positioning: as an industry, we need to ask ourselves "are we really positioning ourselves at the quality end of the market?" Certainly, our New World Class education brand is doing a wonderful job of promoting New Zealand education as "World Class".

However, the lesson from the Modern Age debacle is that one bad apple can spoil an entire case lot in the eyes of the consumer. In this context, we all have a vested interest in ensuring that our delivery matches the standards that are encapsulated in the brand values. The vast majority of providers are already doing this – but there are some in the industry that still treat quality of service delivery as an irritant, and a compliance cost that must be minimised. The Modern Age episode has demonstrated to us that the industry has a collective interest in not tolerating poor quality providers. As an industry we need to ensure that there are a range of professional development resources that can support providers in raising standards. We also must continue to work constructively with Government to ensure the policy and regulatory framework rewards quality, while at the same time does not become a bureaucratic burden on providers.

A more assertive attitude on the part of foreign Governments: it appears to me that in certain areas we are seeing the emergence of a more assertive attitude on the part of foreign Governments. At times this is targeted at New Zealand – and the recent statements from the Ambassadors of Australia and the United States are evidence of this. However, on other occasions New Zealand appears to be swept up as part of a broader foreign policy shift. This could be the case with China. While New Zealand *appears* to be the target of a more interventionist approach by the Chinese Government in its attitude to their nationals studying abroad, New Zealand is NOT the only target. In the brief given to the new Department of Supervision and Management within the Chinese Ministry of Education, the standards that are being applied to New Zealand are also being applied to other countries such as Australia, Canada, the United States, etc.

However, just on this point, it is worth noting that there are two important points of difference between New Zealand and these other competitor countries. Firstly, we are more exposed to the Chinese market in percentage terms than our competitors – this means that any change in policy at the Chinese end has a proportionally greater impact on us than others.

Secondly, the other countries are giving something back to the Chinese. At a Governmental level, they are using a range of small but significant initiatives as a 'soft-sell' for their international education providers. At an institutional level, international education providers are establishing links and sub-campuses within China. These type of arrangements appear to be perceived by the Chinese as offering a greater level of commitment to helping China develop its human capital, and through this, helping China develop its economy.

Just to summarise the discussion so far, there is a complex mix of factors that are currently starting to impact upon the international education industry. So, what of the future in the medium term?

### **Medium Term Outlook**

At the recent Education New Zealand conference I outlined what could be described as the three phases of development of the international education industry. The first phase prior to 1989 can be viewed as the early pioneering days with individual providers breaking into new markets pretty much by themselves.

The second phase, from 1989 to present day, has been a period of building critical mass. Numbers of international students have increased vastly, but largely the growth in numbers has been restricted to the consumption abroad mode of supply – that is recruiting students overseas and bringing them here to receive their education.

However, there are a range of drivers pushing us out of this current phase and into a new phase of industry development. These drivers are:

- liberalisation of the rules governing the cross-border trade in education services – while the WTO's current negotiating round may have temporarily stalled following the recent Ministerial meeting in Cancun, progress is still being made and I am sure that we will see a significantly more liberal environment for trade in education services by the conclusion of the current Doha Round;
- demographics - a youth bulge in developing economies is having a consequential increase in demand for education;
- life long learning in developed economies – meaning that workers are demanding education services throughout their careers;
- increased competition from established education exporters such as Australia, USA and the UK;
- competition from new competitors such as Malaysia and Singapore;
- greater use of on-line learning;
- a greater awareness of the returns to be made from private investment in international education; and
- a move to view international education through a conceptual frame of 'yield'.

### **Yield**

Yield is a term not normally associated with education. But the concept of applying this to international education is catching on very fast overseas.

A common definition of yield is revenue per unit of activity. In agriculture they talk of yield per hectare. In the stockmarket they talk of yield per share. However, in an international education context yield needs to include thinking about the educational and social outcomes per unit of activity. I believe the concept of yield will become increasingly important in the future of our industry because:

- there are capacity limits to the number of international students we can accommodate. New Zealand can only absorb a certain number of students from an infrastructural, social and educational capacity point of view. It is difficult to estimate exactly what those limits might be.
- pricing needs to reflect the total cost of provision, along with a profit for re-investment (in human capital, technology upgrades etc). To do otherwise is not sustainable business management in the long run.
- the need to maximise the input quality of international students for better domestic learning outcomes – adding high quality international students to a classroom increases the learning experience for all the students in the class (ie: the domestic students).

- Lastly, the need to maximise the long term political, trade and social benefits from international education. High quality international students are likely to return home and take on positions of influence which may favour New Zealand in the long run.

### **The Future**

In light of these drivers, the next phase in the future development of our industry appears to involve:

- continuing high demand for international education, with exporters responding with a shift to high quality student admissions;
- growth in other developing economies leading to a more diversified student mix by country of origin, field and level of study;
- cooperative competition, such as on-line consortia and off-shore mergers;
- offshore growth through various modes of supply;
- greater cross-border investment flows specific to education;
- bigger scale of operators.

### **Conclusion**

To conclude, the future of international education looks good. The industry is here to stay. Provided we ensure that our future engagement is highly strategic, we will overcome the current difficulties. In this context, Education New Zealand is currently facilitating the development of an industry-wide strategy. The strategy will help to ensure that our future is strategically informed and reflects the collective will of industry as well as government. I look forward to working with you towards achieving this.

Thank you for your time.