



Education Report: Setting the Annual Maximum Fee Movement for Tertiary Providers in 2019

To:	Hon Chris Hipkins, Minister of Education		
Date:	08 August 2018	Priority:	High
Security Level:	In Confidence	METIS No:	1124860
Drafter:	Jon Rolfe	DDI:	s 9(2)(a)
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Messaging seen by Communications team:	No	Round Robin:	No

Purpose of Report

This paper seeks your agreement to set the Annual Maximum Fee Movement (AMFM) at 2% for 2019.

Summary

- In late June, you agreed to consult on setting a 2% AMFM via the New Zealand Gazette. This notice was published on 6 July and consultation closed on 27 July.
- Six submissions were received on the AMFM consultation. Two submissions from Students' Associations suggest setting the AMFM below 2% to limit fee increases, while two submissions from Tertiary Education Organisations (TEOs) support a 2% AMFM. An individual submission suggests a 4% AMFM. One submission requests an exception from the AMFM in 2019 and this application has been forwarded to the Tertiary Education Commission (TEC).
- We do not consider that the submissions received contain any new information sufficient for you to reconsider your proposal of a 2% AMFM for 2019. A 2% AMFM strikes a balance between protecting the affordability of tertiary education for students, allowing providers flexibility to increase revenue and managing fiscal cost to the Crown, through increase student loan borrowing.
- Over the next month we expect to provide you with a series of proposed funding determinations for your approval, which will take effect from 1 January 2019. Subject to your agreement, a 2% AMFM will be included in the Student Achievement Component (SAC) Level 3 and above and the Information and Communications Technology Graduate Schools funding determinations.

Recommended Actions

The Ministry of Education recommends you:

- a. **agree** to a 2% AMFM for the 2019 academic year

Agree / Disagree

- b. **agree** that this Education Report is **proactively released** after you have agreed to the AMFM for 2019.

Agree / Disagree



Andy Jackson
Group Manager
Tertiary Education

8/8/2018



Hon Chris Hipkins
Minister of Education

10/8/18

Background

1. In Budget 2018, funding was appropriated for a 2% AMFM in the 2019 and 2020 academic years. This funding will cover the increased costs to the Student Loan Scheme. The costing for Fees-Free Tertiary Education and Training included funding to cover a 2% AMFM until the 2021/2022 financial year.
2. The Education Act 1989 requires you to consult on any proposal to limit tuition fees to domestic students. In late June, you agreed to consult on setting a 2% AMFM via the New Zealand Gazette (METIS 1120888 refers). This notice was published on 6 July and consultation closed 27 July.
3. Six submissions were received in response to the AMFM notice (copies of all submissions are attached as Appendices). Submissions were received from:
 - New Zealand Union of Students' Associations (NZUSA) (Appendix 1)
 - Otago University Students' Association (OUSA) (Appendix 2)
 - Auckland University of Technology (AUT) (Appendix 3)
 - s 9(2)(b)(ii) [REDACTED] (Appendix 4)
 - Te Rito Maioha Early Childhood New Zealand (Appendix 5), and
 - an individual (Appendix 6).

Submissions

The appropriateness of a 2% AMFM

4. Five of the six submissions address the level of the AMFM.
5. NZUSA and OUSA do not support any increase of tuition fees. OUSA proposes a 0% AMFM and NZUSA proposes a 1% AMFM. Both submissions argue that any increase in tuition fees will result in an increase in student loan debt that will make tertiary education less affordable and less accessible. NZUSA suggests that this will, in turn, impact on students' study choices, increase drop-out rates and result in inequitable outcomes, especially for those with longer repayment times such as women, Māori and Pacific peoples.
6. AUT and Te Rito Maioha Early Childhood New Zealand support a 2% AMFM, although both note that tuition subsidy rates increases in recent years have not kept pace with rising operating costs. Both submissions cite the Productivity Commission's 2017 report *New Models of Tertiary Education* in reference to SAC rates increases not meeting rising operating costs.
7. The individual submission encourages you to consider an AMFM of 4% for 2019 to improve the quality of tertiary education in New Zealand.

Ministry of Education comment

8. We do not consider that any of the submissions received contain any new information that is sufficient for you to reconsider the proposed AMFM of 2% for 2019. A 2% AMFM strikes a balance between protecting the affordability of tertiary education for students, allowing providers flexibility to increase revenue and managing fiscal cost to the Crown.

9. Setting the AMFM lower than 2% as suggested by OUSA and NZUSA will increase financial pressures on TEOs. Domestic fees are one of providers' main revenue streams and accounted for approximately 18% of all Tertiary Education Institutions' (TEIs') income in 2016. A 2% AMFM will help tertiary providers to cover the increased costs of provision and to maintain the current quality and quantity of provision.
10. Setting the AMFM higher than 2% as suggested by the individual submission may erode the affordability of tertiary education over time and increase fiscal cost to the Crown. Any increase in the AMFM beyond 2% would require new funding to cover both the increased costs to the Student Loan Scheme and Fees-Free payments in 2019 and out years.
11. In June, you announced a 1.6% increase to the SAC Level 3+ tuition subsidy rates from the start of 2019. This tuition subsidy rates increase and a 2% AMFM for 2019 will help address some of the pressures faced by the tertiary sector and help to maintain the quality of tertiary education.

The exceptions process

12. The submission from s 9(2)(b)(ii) requests an exception from the AMFM to increase the flight training components of the course costs by 4% instead of 2%. s 9(2)(b)(ii) submissions notes that a 2% AMFM does not reflect their annual cost increases, with significant increases in s 9(2)(b)(ii)

Ministry of Education comment

13. The exceptions component of the AMFM is intended as a way for financially vulnerable tertiary education providers to increase the amount they can charge for a particular course. To apply for an exception from the AMFM, a TEO must submit an application to the TEC. Since s 9(2)(b)(ii) submission does not propose changes to the AMFM exception criteria, the Ministry will respond to their submission and provide information on how to apply for an exception.

Next steps

14. Subject to your agreement, the Ministry and the TEC will publish information online to communicate to students and providers an AMFM of 2% for 2019. This gives providers time to consider fee changes and make other financial decisions for the 2019 academic year.
15. Over the next month, we expect to provide you with a series of proposed funding determinations for your approval, which will take effect from 1 January 2019. A 2% AMFM will apply to the SAC Level 3+ and the Information and Communications Technology Graduate Schools funding determinations.
16. Issuing these funding determinations in August enables the TEC to implement them and make 2019 funding decisions over the next three months. The TEC will then advise providers of the new requirements set out in these funding determinations, enabling the sector to plan for 2019 delivery.



Submission
of the
**New Zealand Union of Students'
Associations**
on the
**Annual Maximum Fee Movement
(AMFM) for 2019.**

Prepared by
Sam Smith
Research Officer

Contact
Nikita Skipper
National Vice President
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To	The Ministry of Education
From	New Zealand Union of Students' Associations (NZUSA)
Date	27 July 2018
Subject	Annual Maximum Fee Movement 2019

1. Introduction

- 1.1. Thank you for the opportunity to make a written submission on the proposed Annual Maximum Fee Movement (AMFM) rate of 2% for 2019.
- 1.2. In principle, NZUSA does not support any increase of tuition fees for tertiary education due to the burden and barrier this imposes on students. However, if there is to be any maximum fee movement, it should rest at 1%.

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. Our vision is for a barrier-free education for all.
- 2.2. Our members are:
 - Albany Students' Association (ASA)
 - Association of Students at Universal College of Learning (AS@U)
 - Auckland University Students' Association (AUSA)
 - Lincoln University Students' Association (LUSA)
 - Massey University Students' Association (MUSA)
 - Otago University Students' Association (OUSA)
 - Students' Association at Wintec (SAWIT)
 - Victoria University of Wellington Students' Association (VUWSA)
 - Younited Students' Association at Eastern Institute of Technology

3. Submission

- 3.1. Student debt is currently sitting around \$16 billion and since 2003, the affordability of tertiary study has been decreasing.¹ The majority of student loans are made up of course fees, averaging \$7,385 (2017) per year across universities, institutes of technology, polytechnics and wānanga.
- 3.2. 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.

“With the ever rising costs of living, raising the maximum tertiary institution fee increase limit is a huge concern. Student loans will take even longer to pay back, thus creating even more mental stress and financial hardships across the tertiary sector - specifically for those studying in Institutions of Technology and Polytechnics (ITPs).

Dallas Adams, Eastern Institute of Technology, Younited President.

- 3.3. The average student loan debt for a graduate was \$25,750 in 2017 (up 66% from 2010).² This is a conservative average as it includes those studying part time and extramurally. Regardless, the sum of debt a student must incur in order to better their education and as a result, their communities and society generally is momentous.
- 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. Fees that continue to rise.
- 3.5. As well as the immediate consequences of high tuition 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 have a significant impact on their ability to save for retirement, buy a house or travel overseas. With the cost of housing on the rise, and pressure to start saving for retirement, another barrier is placed in the way of prospective students deciding whether to enter tertiary studies.
- 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

¹ Education Counts: <https://www.educationcounts.govt.nz/statistics/indicators/main/family-and-community-engagement/1999>

² NZUSA Income and Expenditure Report 2017: <http://www.students.org.nz/studentreport>

³ NZUSA Income and Expenditure Report 2017: <http://www.students.org.nz/studentreport>

to further study. Opportunities to further ones learning are becoming inaccessible due to the extra costs associated.

- 3.7. The current Government says that it's committed to issues such as addressing the mental health crisis, uplifting the teaching profession and tackling climate change. In order for this to happen, the tuition fee barrier to tertiary education cannot continue to increase.

One might think that the Government's one year fees-free policy lets tertiary institutions off the hook when it comes to annual fee hikes. However, this could not be further from the truth, and only masks the fact that students, especially those who are not eligible under the fees-free policy, continue to be crippled by debt that holds them back at a time when they should be heading out to make a positive impact on our world. As more employers demand postgrad qualifications as a baseline for employment, and as the cost of living skyrockets, it is near impossible for students to contribute to their fee costs while studying. TEI's should be acutely aware of the real burden that fee increases have on students and in turn our society.

Isabella Lenihan-Ikin, Student Representative on the Victoria University of Wellington Council (not the shared view of the Council).

- 3.8. A further point to note is that there is concern among students, namely women and gender minorities that with the reality of gender inequality of income in many sectors, loans will take longer to pay off compared to male counter-parts. If women and gender minorities are paid less after study, it can often lead to questions of whether entering tertiary study or continuing study is worth the extra burden of a longer period of paying back one's loan.
- 3.9. The reality is that if tuition fees continue to increase, 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.
- 3.10. As stated in the introduction, NZUSA's position is against any increase to tuition fees for the many reasons stated above. However, we also understand that at present, tertiary education institutions (TEIs) are underfunded and that making fee increases may be necessary in order to continue providing quality education to students.
- 3.11. If a maximum fee movement is to be set, it should be 1%. The Government should be responsible for ensuring ensure TEIs are properly funded, and not rest on the student population to the extent it currently is.

- 3.12. In reality, TEIs almost always increase tuition fees to the rate of the annual maximum fee movement. A 1% limit would ensure any tuition fee increase would not be as significant a barrier as it would be at the current 2% rate.

As a student representative on a University Council, often decisions regarding fee increases feel as though they have already been made before the official Council meetings. Students appear to be 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 a resulting larger student loan. By reducing the annual maximum fee movement, 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.

Caitlin Barlow-Groome, Student Representative on the University of Otago Council / Otago University Students' Association President.

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 due to the significant burden it places on current students and graduates and well as the barrier it places on prospective students wanting to further their education after secondary school.
- 4.3. If there is to be a maximum fee movement, it should be 1% to address the underfunding of TEIs while ensuring students are not as financially burdened as a 2% increase would encourage.
- 4.4. While deciding on matters relating to fees and funding of TEIs, it is important to bear in mind the impact fee increases have on students and the implications for society. It takes courage, commitment and immense risk to spend significant funds to further one's 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 barrier on students increases also.



Submission of the

Otago University Students'
Association

On the

Annual Maximum Fee Movement
(AMFM) for 2019.

Prepared by

Sam Smith

Finance Officer

Contact

Caitlin Barlow-Groome

President: president@ousa.org.nz

To	Ministry of Education
From	Otago University Students' Association
Date	27 July 2018
Subject	Annual Maximum Fee Movement 2019

Introduction

Thank you for the opportunity to make a submission on the proposed Annual Maximum Fee Movement (AMFM) rate of 2% for 2019. OUSA is inherently opposed to fees increases for our students and therefore would recommend there be no maximum fee movement for 2019.

Background

The Otago University Students' Association (OUSA) advocates on behalf of the students of the University of Otago. Our students come from a wide range of backgrounds and elect the OUSA Executive annually to represent their interests. The OUSA gives a voice to our 17,000 students to ensure their concerns and ideas on issues affecting them are heard loud and clear.

Submission

In recent years, students have continued to see annual increases to their tuition fees. This has resulted in frustration, higher student debt and a sense of resentment among Otago students. In 2019, we want to see no increase in tuition fees, hence our proposal for there to be no maximum fee movement next year.

The majority of students take out student loans during their study, creating the perception that students don't worry about tuition fees while studying because it does not affect their immediate bank balance. This is far from what are students are telling us. The mental stress debt places on studying students significantly impacts their decision making regarding how many papers to take, whether to take up postgraduate study and whether the continue studying at all. Rather than digging a deeper hole of debt, students are making choices that do not further their education because they are constantly worried about how they will be able to pay back their debt in the future.

'While I was one of the lucky students who received student allowance throughout university, I still struggled with the weekly payments when only being paid minimum wage. A lot of my friends now have loans heading towards \$90,000 which has put many people off going on an OE and has affected their ability to save at all. A graduate earning a mere \$45,000 with a loan of nearly \$90,000 will be paying it off for over 20 years. I would love to see no increase to student tuition fees in 2019 so that graduates can begin preparing for the important things in life, rather than having their earnings sucked up by loan repayments.'

Caitlin Barlow-Groome, President of the Otago University Students' Association.

It must be remembered that it is not only tuition fees that feature on the student loan receipt. Otago students pay one of the highest Compulsory Student Services Fees in New Zealand which is close to \$1000 a year, they have the option of taking out around \$1000 a year for course-related materials on top of the \$232 a week most students take out for living costs. Increasing tuition fees only adds to the already bulky yearly sum of individual student debt.

When students decide that post graduate study is too expensive, they begin to look for jobs. Graduates have to find jobs that earn enough to cover their day to day living costs, pay their Kiwisaver contribution, pay off their student loan on top of tax. The majority of students can barely afford this, so tend to move back home or end up having to live week by week with no room to save for their future. The unemployment rate is 2.9% for graduates. While this is below the country's average, there are still many more graduates who have not moved into decent jobs in their field of study.

'I had to move back home to Auckland to ensure I could afford to live. While having a \$45,000 loan isn't my biggest issue, roughly 12% of my weekly salary goes towards repaying my student loan. This is having a massive effect on my ability to save for a house and prepare for future living costs.'

James Bolase, University of Otago Graduate.

One student, who is finishing their Masters in Peace and Conflict studies has a loan over \$50,000 and she worked 20 hours a week for the duration of her study. A year's salary for someone with this qualification is less than her loan amount, if they can even find a job in the field in the first place. This is the case of many who students who are following their passion but cannot find jobs that allow their loans to be paid off in a reasonable time period.

While we also understand that Universities are generally underfunded, it should not be up to students to constantly top up the shortfall. The Government needs to step up and fund Tertiary Institution adequately so that students do not need to increase their yearly debt more than is necessary.

We are tired of seeing students suffer because they have made bold decisions to education themselves and taken up opportunities to further their learning. We want to see students reaching their full potential, but not be held back from doing so because of the cost of tertiary education.

Conclusion

In 2019, Otago students would like to see no increase to their tuition fees which is why OUSA proposes there be no maximum fee movement for next year's tuition fees. The gradual increase of fees over recent year continues to add to the stresses of our students and graduates. We want our students to further their learning and in turn make a larger societal differences, rather than be faced with difficult choices about whether study is worth continuing.

Submission on the Ministry of Education's 2019 Annual Maximum Fee Movement (AMFM) Notice

Submitter information

Name	Jenny Bygrave, Assistant Vice-Chancellor Strategy, Students and Marketing
Marketing	
Organisation represented	Auckland University of Technology
Postal address	Auckland University of Technology Private Bag 92006 Auckland 1142 New Zealand
Email	s 9(2)(a)
Phone	

The Auckland University of Technology supports an increase in the Annual Maximum Annual Fee Movement of 2%. The increase in student fees is needed to provide resources for Universities to maintain quality and high performance in provision at a time of rising operational costs. Universities are facing increasing financial pressures as costs continue to outgrow revenue. Universities recruit students and academic staff in an international market that is very conscious of rankings and resources provided for teaching and research. An increase in student fees supplementing the increasing in SAC funding rates is necessary to support the Universities in New Zealand in their teaching and research missions and in maintaining international competitiveness.

Universities New Zealand's submission to the Productivity Commission's New Models of Tertiary Education, showed that the operating costs for Universities rose 51% from 2005 to 2014, while the average SAC rate per EFTS rose by 39%. However, in the top five categories that account for two thirds of the SAC 3+ funding for AUT, the SAC per EFTS, in the same period, rose less than 20%. Moreover, growth in SAC funding rates since 2011 has been minimal, at 3%, for those five categories.

<https://productivity.govt.nz/sites/default/files/sub-new-models-of-tertiary-education-17-universities-new-zealand-2442Kb.pdf>

Appendix 5: Te Rito Maioha Early Childhood New Zealand submission



26 July 2018

Consultation on the Annual Maximum Fee Movement rate for 2019

We are pleased to provide feedback on the proposed Annual Maximum Fee Movement (AMFM) rate for 2019 as part of the Ministry of Education's consultation process.

About Te Rito Maioha Early Childhood New Zealand

Te Rito Maioha Early Childhood New Zealand is a national organisation. For the past 55 years we have been committed to the promotion of high-quality early childhood education (ECE) for every New Zealand child, through initial teacher education, professional development, leadership programmes, advocacy and membership services.

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 are a private training establishment (PTE) that delivers a suite of qualifications and teacher education programmes to both domestic and international students.

General comments on the proposed AMFM rate of 2% for 2019

We support, with reservations, the proposed maximum rate of 2% by which tertiary education organisations can increase their tuition fees for domestic students for 2019. While we naturally welcome opportunities to increase our revenue, we would prefer that the onus for helping to meet rising costs not rest with students. We encourage the government to review tertiary education funding policy, in particular the Student Achievement Component (SAC) funding.

While we acknowledge the minor increases in the past seven years of government funding and student fees,¹ we think it is important that the government recognise that these increases are not keeping pace with rising operational costs. In other words, the explicit intent of the AMFM to strike "a balance between protecting the affordability of tertiary education for students, while allowing tertiary providers to keep pace with costs" is not being realised. For example, some private education providers are encountering ongoing, steep rent or rates increases, which the funding model does not factor in. The rising compliance burden on providers also comes at considerable cost, which current funding levels do not allow for. There have also been instances where providers have had to close down or diversify their offerings because SAC funding was not meeting their costs.

Submission to the Ministry of Education by 27 July 2018: 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

¹ New Zealand Productivity Commission. (2017). *New models of tertiary education: Final Report*. Available from www.productivity.govt.nz/inquiry-content/tertiary-education. Chapter 10: while average SAC funding for PTEs declined in real terms between 2001 and 2009, it has subsequently risen; and the introduction of the AMFM in 2010 allowed for annual fee increases for domestic students (initially capped at 4%, then lowered to 3% in 2016, and 2% in 2017).



Appendix 6: individual submission

From: s 9(2)(a)

Sent: Saturday, 14 July 2018 8:23 p.m.

To: Tertiary Strategy Mailbox <Tertiary.Strategy@education.govt.nz>

Subject: Annual Maximum Fee Movement Submissions

Kia ora,

Thank you for the opportunity to provide a submission on the Annual Maximum Fee Movement. I agree that protecting the affordability of tertiary education for students, while allows tertiary providers to keep pace with costs is a important balance to maintain.

This is a conflict I see see regularly played out - students who struggle to make ends meet on a daily basis (please note that a fee free year doesn't help in there here and now) and Universities who are driven to do more but remain stalled. In some cases, TEO's are falling far behind.

I encourage you to increase the maximum fee movement to 4%. A strong and well functioning TEO will grow and develop future leaders - our students deserve the very best experience and education. Enable and resource TEO's to achieve this.

Warm wishes,

s 9(2)(a)