Te Pōkai Tara
Universities
New Zealand

The Tertiary Education 2022 Annual Maximum Fee Movement Notice of 2021

Introduction

This submission is in response to the Minister of Education's proposed 1.7% limit on the annual increases tertiary education organisations may make to fees and course costs charged to domestic students in 2022. This submission is made by Universities New Zealand – Te Pōkai Tara (Universities NZ[1]) on behalf of the eight universities.

This submission supplements those submitted by individual universities.

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Submission

Online submission
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Due 9th Aug 2021

Recommendations

To ensure universities can, to a small extent, cover actual cost increases and manage the impact of the COVID-19 pandemic, we recommend the maximum fee increase should be 3.3% in line with the annual consumer price index (CPI), which has risen to 3.3% as at June 2021.[2]

The combined effect of long-term underfunding and the ongoing impact of COVID-19 on universities' finances

In our submission last year to the proposed AMFM limit, we outlined the financial stress faced by universities because of the COVID-19 pandemic. With the Government continuing to maintain tight border controls, the pandemic has had, and continues to have, a significantly adverse impact on universities' revenue. If universities are to maintain the

[1] Universities NZ is the operating name of the New Zealand Vice-Chancellors' Committee, a body established under Part 19 of the Education Act 1989. It has statutory responsibilities for university quality assurance, the approval and accreditation of university academic programmes, entrance to universities, and scholarships. It also represents the interests of the universities on a wide range of other matters, such as education and research policies.
[2] https://www.stats.govt.nz/information-releases/consumers-price-index-june-2021-quarter

quality of learning opportunities and support for domestic students, in an environment that continues to limit international student recruitment, they must increase their revenue from other sources in the very short term. One such revenue source is domestic student fees.

International student EFTS across the universities dropped 12.5% between 2019 and 2020,[3] which manifested as a 6.5% decrease in international student revenue. Overall, universities' income decreased approximately 3%. These decreases are significantly greater for 2021 given New Zealand borders were largely closed during 2021 and are not expected to re-open until at least Semester 2 of 2022.

At the same time, costs, especially asset-related costs, have increased and continue to do so.

It is important for the universities to have sufficient funds to continue to be key contributors to New Zealand's economic recovery through:

- retraining and upskilling the workforce rather than contributing to unemployment
- delivering relevant high-value research
- accelerating the educational progress for equity groups
- slowing the downwards slide in international rankings, which would, in turn, enable universities to attract and retain high-quality researchers and non-government investment.

A reduction in real funding per student over the past 20 years means universities will struggle to meet the costs of continuing to deliver high-quality relevant teaching and research without the cross-subsidy provided by international student fees. Cost pressures have been compounded by years of inadequate student achievement component (SAC) funding adjustments characterised by minimal general increases or only subject-specific annual increases.

In the absence of an adequate SAC funding increase for 2022, universities need to be allowed to increase their student fees beyond the proposed 1.7% limit to compensate for the SAC shortfall and the COVID-19 financial impact.

Universities are making significant efficiencies in response to these fiscal pressures, but these efficiencies alone are not enough to ensure universities can continue to address all the Government's priorities. These broad-ranging priorities include, but are not limited to, improving access and success for students from priority groups, providing New Zealand and New Zealanders with access to world-class education and research, and ensuring its ongoing relevance for our future.

In late April 2020, Universities New Zealand wrote to the Government[4] describing the forecast impact of COVID-19, including the slowing of commercial revenue and income

[3] Comparison between universities' 2019 and 2020 annual reports.
[4] Letter dated 23 April 2020, addressed to Minister Hipkins.

associated with research. The cumulative results for the sector in 2020 were slightly better than the initial forecasts, but the impact on cash flow will be the most important factor influencing the universities' ability to respond in the short term.

The challenging situation has continued into 2021 and will be exacerbated in 2022 through a combination of pipeline international impacts and a further year in which the border and visa situation prevents new international students from commencing on-campus study in New Zealand; the alternative, commencing online with a New Zealand university, is increasingly less attractive as other countries such as Canada, the UK and US welcome back on-campus international students ahead of us.

This will inevitably create a much slower recovery path for international enrolments in New Zealand with consequential impacts on universities' financial positions.

Short-term mitigation strategies for the universities include focusing on reducing discretionary operating expenditure and delaying non-essential capital expenditure. As approximately 60% of university annual costs are in personnel, an obvious way to recover from a deficit situation will be to reduce the workforce. These personnel processes, which are under way at many of the universities, do not generally pay back financially in the very short term. Universities are also constrained in what can be achieved through staff reduction, given unprecedented levels of student demand and the need to ensure educational quality in the long term.

Expenditure maintaining infrastructure may need to be temporarily halted or massively scaled back for the next 12-24 months—exacerbating an already large deferred maintenance challenge for the sector.

All avenues of cost cutting are fraught with undesirable consequences; therefore, it is critical universities can increase their revenue from other sources such as students' fees. An increase of 3.3% will balance the fiscal pressures faced by both the university sector and the 2020-2022 student cohort.

Finally, fieldwork fees and compulsory equipment and/books are also included in the proposed AMFM. This is a change to past practice we ask not to be pursued: there are many aspects to these costs over which universities have no control and which should be passed on to students. These include the costs of accommodation and food for field trips and the impact of exchange rate changes and pandemic-induced supply chain disruption on the cost of books and equipment.

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