

4 May 2016

Judy Kavanagh
Director- Tertiary Education Inquiry
New Zealand productivity Commission
PO Box 8036
The Terrace
Wellington 6143

Dear Judy,

Thank you for the opportunity to make a submission to the Commission. The issues paper released in February 2016 gave us confidence that the Commission was actively engaging its resources in understanding the tertiary landscape and seeking insights into areas that have a material impact on the productivity of our sector.

For the purposes of clarity MIT is a member of the Metro ITP cluster. The Metros have agreed to provide a separate submission and MIT fully support that approach and the content of that submission.

We are also of the opinion that some matters being covered under your inquiry may have impacts that are specific to MIT, or more specific to MIT, and therefore required consideration in an additional submission.

We have not sought to respond to each of the questions posed in the issues paper. We have elected to keep our initial submission focused on the areas that have a material impact on MIT with a view to be actively engaged in wider conversations with the Commission, either directly or as part of the Metro group, as the inquiry progresses.

Multiple Pathways

MIT has invested heavily in creating a multiple pathways framework that includes trades academies, Māori Pasifika Trades Training, a Tertiary High School and provision via our wholly owned subsidiary focused on supporting NEETs. As a consequence of MIT taking this leadership role we have noted a number of issues that directly impact on the benefits that could be drawn from such an integrated model.

For example the current funding rules lock learners out of valuable learning opportunities at the same level, which is inconsistent with the outcomes being sought.



Learners at level 1&2 have poor educational attainment outcomes from their previous engagements and research shows that it takes a few (more than one and less than many) successful completions in order to build the skills and confidence to move to higher levels of study. Whilst we hope that a continued focus on learner outcomes rather than qualification outputs might remedy some of this issue we have very limited confidence in that outcome being achieved in a timely way.

The need to continue to reshape our approach to work within overly complicated funding rules has a direct impact on our productivity as an organisation and not being able to properly prepare learners for further study has downstream impacts on us, the learner, their community and employer.

Multiple Delivery Models

MIT established a wholly owned subsidiary in 2012. The subsidiary is a registered PTE called Enterprise MIT (EMIT). EMIT is an innovative model of delivery that allows for the quality of a large TEI to flow through an affordable and adaptive PTE business operations. The parent entity is constrained in its ability to right size its operations and cost structures and the PTE allows us to offer "ITP quality" programmes to meet short term needs and in ways that reflect the market and government's funding capabilities. The current regulatory framework does not readily enable this model which results in lost opportunities to provide services to our communities at prices and in ways that meet their needs.

Outcomes Focus

Episodic learning on a lifelong continuum bundled around logically collocated skills rather than teaching along a qualifications and credits framework requires a shift to investing in an organisation's capacity and capability to design, develop and deliver learning opportunities. The current approach is still focused on a input based (EFTS) purchasing model. The discussion document issued by the VET Working group canvasses this issue and suggests that the challenge the systems faces is to move to performance measurement frameworks that focus less on whether a learner completed a programme to more about the value of that achievement to the learner, society and employers.

We acknowledge that moving to an outcome linked funding framework is part of the language of the Tertiary Education Commission and the tertiary Policy Unit at the Ministry, however, there is no tangible evidence that meaningful steps in this direction have been taken. One of the consequences of remaining in a purchasing mindset is that TEOs continue to dedicate significant resources to ensuring that funding rules related to learner eligibility, capped EFTS, agreed mixes of provision and other factors are observed. This analytical capacity could be more productively utilised if the system shifted significantly to one of high trust where funding was invested over multiple years linked to strategic responses to regional learner demand, employment opportunities and demographics.

Capital Intensive Modes and Models of Delivery

Our view is that with the shift to more overtly contestable models of funding the system is being oriented towards a low cost moderate quality model of tertiary education. Such a model is highly unlikely to equip our workforce with the highly technical skills that will futureproof our economy. One consequence of the TEC increasingly electing to distribute funding through an overtly competitive approach (acknowledging that the Investment Plan approach is of itself a competitive model) is that TEIs who deliver in the vocational sector, where capital investment is required to prepare our learners to a work ready status, are having to limit their investments in strategic assets.

Our observation is based on simple business principles related to fixed investments underpinned by short term revenue certainty. The ramifications are that the revenue uncertainty drives the asset investment decisions rather than a shared view of the demand and the value associated with outcomes that come from a longer term, more stable investment approach.

A shift away from the inter sector competitive model will require a more strategic look at the future workforce in terms of skills and a need to pre invest in the tertiary sector through a differentiated investment in capacity and capability for programmes requiring high capital commitments from TEIs.

Ownership Interest

The Crown has a substantial equity interest in MIT and indeed in other TEIs. This role for monitoring this interest is captured under sections 159KBA (TEC) and 195A (MOE) of the Education Act. Sustainability and viability are impacted by public policy development and implementation approaches being adopted by the TEC and MOE. The Investment Plan model is not yet a comprehensive investment approach which gives due regard to the equity interests the Crown has in its network of providers. It remains a disaggregated; rules based purchasing approach that significantly increases the viability and sustainability risks associated with that network. The current purchasing model requires public sector entities, who are encumbered with public good obligations (including Treaty partnership obligations), to compete with private sector organisations who do not carry these obligations. The drive for short term purchasing gains is not being obviously balanced with the more comprehensive longer term public good investment returns.

Whole of Government Approach to Supporting Learner Outcomes

Many in our community are engaged with service providers across the broad spectrum of government agencies – health, social & economic support, justice etc. An integrated whole of government approach is required to supporting learners through the transition zones from social dependence to independence. Examples relate to WINZ funding decisions for NEET with respect to living allowances and young parents able to access child care support for times outside of “teaching” hours.

Pathways and transitions and the link to compulsory education are not yet a coherent set of policies operating at a level that is best for the learner. Compulsory sector partners feel the cost of learners transitioning to the tertiary sector earlier than “normal” even though the outcome for the learner is often better. A transitions funding model that is linked to student outcomes and carries no penalty for the “releasing” educator is required.

MIT makes an ongoing commitment to supporting our learners through these transition zones but the impact on our productivity, as measured under the current EPIs, is not acknowledged. MIT looks forward to the opportunity to expand on the above, and any other matters, as the inquiry progresses.

Kind regards,



Dr Peter W Brothers
Chief Executive