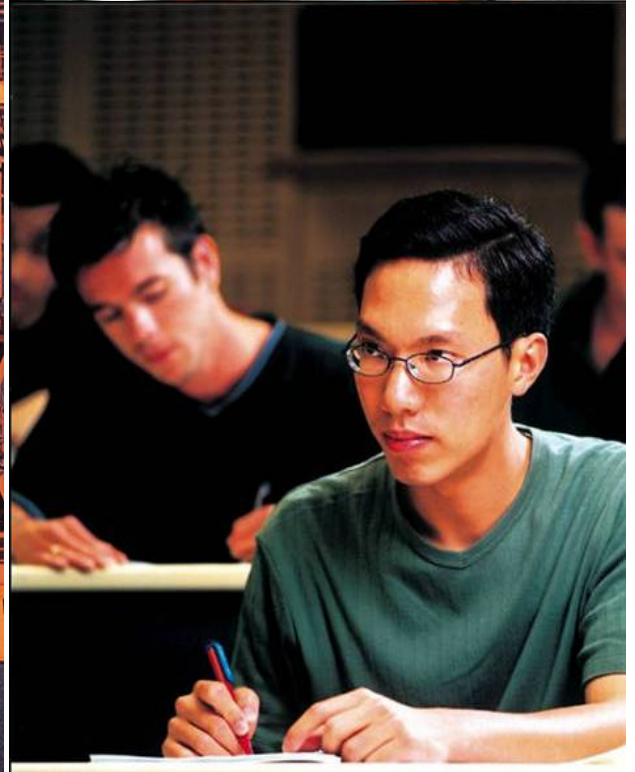
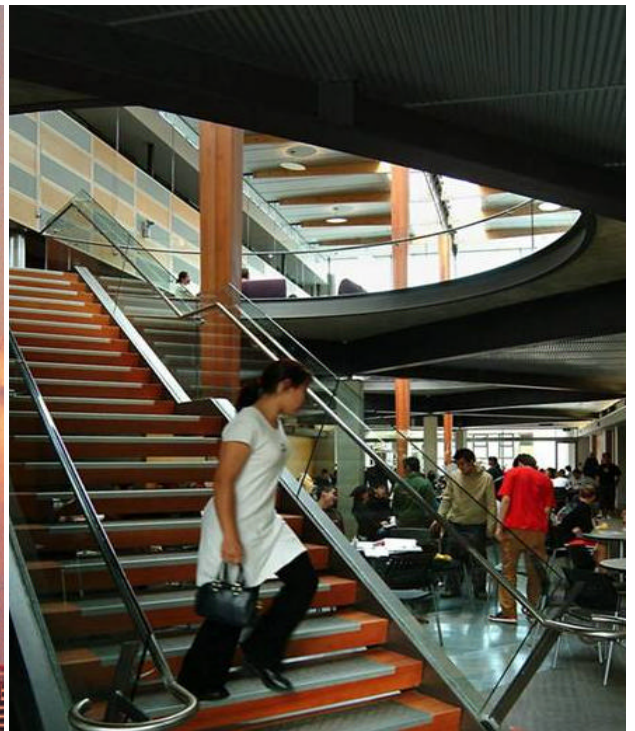




## **International Students** their impact on Auckland city



December 2003

## Background

This study has been written by Infometrics. Any views expressed in this report may be those of the author and may not necessarily reflect the views of Auckland City.

## Infometrics Consulting

Infometrics is a privately owned and operated company. It offers a range of economic consulting and forecasting services on commercial terms to companies, business organisations and government departments.

Since being founded in 1983 the company has built a reputation for rigorous and independent work, delivered on time and within budget. The company has a range of economic models and modelling expertise to apply to specific consulting projects. The company is based on a team of six professional economists plus support staff.

## Author

Adolf Stroombergen: Chief Economist, Director

Adolf has been responsible for managing Infometrics consulting services since 1997. Before that he was a partner in Business and Economic Research Ltd. Adolf has a PhD in economics and specialises in mathematical economics, econometrics and economic modelling. His work has included general equilibrium analyses of changes in import protection, road funding, genetic modification and carbon charges; econometric estimation of forecasting models and empirical relationships in the areas of corporate credit risk and organisational structure; and the development of microsimulation models of savings and the tertiary student loan scheme. Adolf has also worked on a range of economic impact studies dealing with topics such as foreign students, APEC conferences, and exports. He is currently involved with the development of a system dynamics model for analysing regional development.

Additional international education reports by Infometrics include:

*Economic Impact Analysis of Foreign Fee-Paying Students*, for the New Zealand International Education marketing Network and Asia 2000, October 2000

*Economic Impact of International Education*, for Education New Zealand Trust, August 2002

## Acknowledgements

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## Executive Summary

This study has been commissioned by Auckland City. Its objectives are to ascertain the contribution that export education makes to the Auckland economy, discuss the prospects for the industry, identify the risks to the industry and how they are being managed, and consider the infrastructural needs of the industry – transport, accommodation, and so forth. Some recommendations conclude the report.

The methodology for the study involved an analysis of quantitative data from sources such as Statistics New Zealand and the Ministry of Education, and interviews with about 25 industry players. About half of these were education providers, with rest covering other services related to export education such as student accommodation, education premises, transport, entertainment, security, government services and so on.

### Economic Impact

The number of foreign fee-paying students in the Auckland region for year ended 30 June 2002 is estimated to be about 44,600 with 36,300 studying at locations in Auckland city. Total direct spending by these students is estimated to amount to \$650m and \$490m respectively. These values rise to \$1290 and \$930m after allowing for flow-on effects through the wider economy.

In terms of value-added or contribution to regional and city GDP the amounts are \$700m (1.9 per cent) and \$500m (2.6 per cent) respectively.

In terms of employment, export education directly generates 6,400 full time equivalent jobs in the Auckland region of which 4,700 are in the city. Adding the effects of flow-on activities raises these estimates to 12,800 and 8,900 respectively. The 12,800 constitutes about 2.7 per cent of total full time equivalent employment in Auckland.

### Prospects and Risks

Between 1998 to 1999 and 2001 to 2002 the number of foreign fee-paying students in New Zealand rose by 45 per cent per annum to 88,000. In the Auckland region growth over the same period was 57 per cent per annum with the number of students reaching 44,600.

Such rapid rates of growth are most unusual in industries that contribute over a billion dollars to gross domestic product. They are unlikely to be sustainable over the next five years as the absolute numbers implied are too large to be absorbed by providers – partly because of limits to how quickly providers can supply teaching and accommodation facilities, and partly because some segments of the industry are close to self-imposed limits.

Demand side factors are also important. New Zealand's share of the international education market is insignificant and underlying demand will continue to increase with Asia as the main

source. Asia has high economic growth, an expanding middle class, and places a high value on education generally and on English education specifically.

Nevertheless there are risks, with the foremost one being the quality of the New Zealand business offering; the financial security of the provider, international recognition and credibility of the provider, overall management of students and so on.

Financial risk areas include the pricing of the New Zealand product, exchange rate volatility and the economic strength of source countries. Foreign study is an income-elastic good so it will tend to be disproportionately affected by economic downturns in source countries.

Political factors are another key risk to the industry. These include anti-immigrant rhetoric by politicians and the media, changing entry tests both here and in competing markets, and slow processing of applications.

Finally there are always random risks such as SARS or terrorist activity. It seems from our consultations that language schools have been more affected by SARS than the rest of the industry.

The industry is well aware of the risks and most institutions are active in minimising their potential impact. This includes more active marketing in countries other than China, imposing limits on the proportion of students that should be foreign fee-paying, establishing joint venture educational services in foreign countries, and improving student services.

The Code of Practice introduced in 2001 and recently revised, will also help to maintain the quality of the New Zealand product. Some providers have gone beyond the Code in terms of their pastoral care of students.

Balancing the various demand and supply factors, the risks to the industry and how they are being managed, and the experience of other industries, lead us to expect that growth in export education over the next five years or so is likely to be around 10 per cent per annum, although lower and higher growth rates are certainly possible.

Growth of 10 per cent pa implies some degree of consolidation of the industry on the supply side (capacity constraints at university level, changes in product mix and so on), but no marked change in New Zealand's share of an international market, which has very strong growth potential well beyond the next five years.

## **Accommodation**

Auckland city has around 4,000 school-age foreign students who are generally accommodated in homestays. This demand is usually managed either directly by individual education institutions or via homestay agencies. Location is an important factor determining the desirability of individual homestays – proximity to the education provider, entertainment facilities, and easy access to good transport services are all relevant factors shaping the attractiveness of individual homestays.

The inner city supply of homestay accommodation is now more-or-less exhausted.<sup>1</sup> Prices for such accommodation are rising, but this does not seem to be having much impact on supply, at least not in the inner city.

Auckland city also has around 7,000 foreign public tertiary students and about 25,000 foreign students who attend private training establishments or English language schools. Most of these students stay in hostels and apartments, although many also stay with families.

There is concern about quality of new accommodation being constructed. Student apartments are often very small with some being as little as 14 square metres. Minimum regulations covering apartment buildings have led to developers constructing some very basic buildings that may ultimately undermine the reputation of the education package being offered in Auckland. However, some institutions are building better quality accommodation and this should eventually make it more difficult for high occupancy rates to be maintained in the poorer buildings.

Bayleys Research predicts that the total stock of apartments within Auckland city will increase by around 55 per cent between the 2002 and 2004 calendar years. That implies another 3,900 additional apartments. Previous research by Infometrics predicted a total of 5755 new apartments in Auckland city between 2003 and 2006.

Vacancy rates in the student apartment and hostel market appear to vary from 0 per cent to around 10 per cent. This is tight enough for the market to withstand rentals that have increased by 5-7 per cent pa. Hostel and apartment rates are around \$210 per week, versus \$185-\$195 per week for homestay accommodation, reflecting a premium for location.

## **Education Premises**

Education-related activities (excluding student living space) account for between 11 per cent and 14 per cent of CBD office space in Auckland, compared with just 3 per cent in 1996. Education businesses are currently the biggest users of office space in the Auckland CBD.

Many of the buildings used by education providers are C and D grade space with relatively old facilities. This has led to problems such as too heavy a load on air conditioning systems, overcrowding of entrance foyers and lift areas, and too much pressure on elevator systems.

There are three main reasons why export education is attracted to C and D grade space: high vacancy rates (initially), central city location, and relatively low cost. Without the influx of education institutions, vacancy rates in Auckland's CBD would have been much higher, creating downward pressure on rents and therefore undermining the ability of developers to erect new buildings. The image and dynamics of the city would have suffered without the influx of education institutions.

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<sup>1</sup> We use the term 'inner city' interchangeably with CBD. Refer footnote 5 for its definition.

## **Infrastructure**

It is abundantly clear from our interview programme that transport is the main infrastructural issue of concern to Auckland's export education industry. A distant second is entertainment and leisure facilities, although the two issues are not unrelated.

Transport operators have enjoyed the benefit of greater patronage, especially as it has been mostly off-peak, although demand has stretched into peak times with education providers moving to longer class contact days.

Transport fleets have expanded, but unfortunately when overall demand for travel is rising, this exacerbates already severe congestion problems. Some bus trip times are reported to have increased by around 50 per cent over the last two years (although bus lanes help considerably). This reinforces the demand for residency close to where students attend classes, which is especially noticeable in the inner city.

Even a vastly improved transport network, however, is unlikely to lead to a great shift of educational providers to the suburbs or the city outskirts. The CBD contains most of the city's leisure facilities, or at least those that tend to appeal to foreign students.

It is not unreasonable for foreign students to use the same leisure facilities that the rest of Auckland's population uses. With obvious exceptions such as libraries and parks, most are provided by the private sector and relate to activities which are well established and subject to long-standing, albeit evolving regulations. Examples include restaurants, theatres and gaming establishments. For these providers foreign students are just another component of customer demand.

In contrast, semi-public spaces in and around commercial buildings are being used for a mixture of leisure and education, with no party having overall responsibility for how they are managed. There are opportunities for the educational institutions and providers of leisure services to make these spaces more workable, such as by merging them with cafes and retail activity.

## **Social and Security Issues**

The clustering of students in certain parts of the city and CBD is not just an infrastructural issue. It has significant social and security implications, as inadequate security and large numbers of people congregating in small areas increase the probability of students being exposed to intimidation.

With Police in central Auckland being under budgetary pressure, other solutions to improving safety are required. For example many of the perpetrators of crime have poor attendance records, suggesting that the educational institutions and NZIS could do more to reduce crime by enforcing attendance requirements. Admittedly there is not much they can do once students have been expelled.

Pastoral care also has a major role in improving safety. Educational institutions and home care organisations may be able to provide more information on how to reduce personal risk.

It is in the interests of all parties to improve the safety of foreign students. Personal safety is a crucial component of the New Zealand educational experience.

# 1. ECONOMIC IMPACT ANALYSIS

## Introduction

In seeking to understand Auckland's export education industry it is useful to begin with some estimates of its size and interaction with the rest of the local economy. The standard approach to this task is to ascertain the direct spending by students and then estimate the flow-on effects of this expenditure by using economic multipliers derived from input-output tables. This is the approach used here.

The flow-on economic impacts cover both upstream (or indirect) effects, such as a university purchasing energy and communication services, as well as downstream (or induced) effects such as university staff spending their salaries on normal consumer goods and services. More discussion on flow-on effects is given in Appendix A.

It is common for multipliers to cover three dimensions of economic activity:

- ❖ gross output, broadly equivalent to sales or turnover
- ❖ value added, which nets out sales between industries and is conceptually analogous to gross domestic product (GDP)
- ❖ employment, usually measures in terms of full time equivalent positions.

## Economic Impacts of Export Education in Auckland

Export education has six main components

1. English for entry to a New Zealand or Australian university
2. Tertiary study (other than English)
3. English for migration to NZ
4. English as part of general education to use in a student's home country or other country
5. Education abroad experience (mostly by Europeans and North Americans).
6. Offshore delivery (may have very similar consumer objectives but is a different product from a delivery perspective).

In assessing the economic impact of the industry we exclude item (6). This is because the economic impacts are based on expenditure by foreign students in New Zealand. A survey of providers would be one way of measuring the income that they receive from offshore provision of education, and the degree to which this is spent in New Zealand.

Multipliers have been derived for foreign education services by weighting individual industry multipliers by the estimated composition of expenditure by foreign students. Essentially this corresponds to deriving a synthetic industry - Export Education - one which is not actually

defined in the national accounts, but which represents an amalgamation of a collection of different industries such as education, restaurants, leisure etc.

Table 1 shows the estimated economic effects for the Auckland region and city of export education in terms of three key indicator variables; gross output, employment and value-added.

The number of foreign fee-paying students in the Auckland region for the year ended 30 June 2002 is estimated to be about 44,600 with 36,300 studying at locations in Auckland city. Note that this number is not measured on a full time equivalent basis. This maintains consistency with the spending figures which are on a per person basis.

Total direct spending by these students is estimated to amount to \$650m and \$490m respectively.<sup>2</sup> Taking into account the indirect and induced multiplier effects raises the spending to \$1290 and \$930m respectively.

**Table 1**  
**Economic Impact of Export Education in Auckland Region and City**

|                               | Primary & Secondary | Public Tertiary | PTE  | ELS   | Total |
|-------------------------------|---------------------|-----------------|------|-------|-------|
| <b>Auckland Region</b>        |                     |                 |      |       |       |
| <b>Base Economic Values</b>   |                     |                 |      |       |       |
| Tuition costs                 | 9925                | 14763           | 6800 | 3659  |       |
| Living costs                  | 12591               | 12378           | 6542 | 3973  |       |
| Number of students            | 8577                | 8263            | 3528 | 24246 | 44614 |
| Gross Output (\$m)            | 193                 | 224             | 47   | 185   | 650   |
| Employment (FTE)              | 2346                | 2028            | 472  | 1595  | 6440  |
| Value Added (\$m)             | 110                 | 126             | 29   | 100   | 365   |
| <b>Total Flow-on Activity</b> |                     |                 |      |       |       |
| Gross Output (\$m)            | 375                 | 451             | 96   | 370   | 1293  |
| Employment (FTE)              | 4602                | 4069            | 883  | 3293  | 12847 |
| Value Added (\$m)             | 208                 | 240             | 53   | 193   | 695   |
| <b>Auckland City</b>          |                     |                 |      |       |       |
| <b>Base Economic Values</b>   |                     |                 |      |       |       |
| Tuition costs                 | 9925                | 14763           | 6800 | 3659  |       |
| Living costs                  | 12591               | 12378           | 6542 | 3973  |       |
| Number of students            | 3897                | 7156            | 3002 | 22246 | 36301 |
| Gross Output (\$m)            | 88                  | 194             | 40   | 170   | 492   |
| Employment (FTE)              | 1066                | 1758            | 401  | 1465  | 4690  |
| Value Added (\$m)             | 50                  | 108             | 24   | 91    | 274   |
| <b>Total Flow-on Activity</b> |                     |                 |      |       |       |
| Gross Output (\$m)            | 163                 | 371             | 78   | 323   | 934   |
| Employment (FTE)              | 1981                | 3336            | 715  | 2855  | 8886  |
| Value Added (\$m)             | 90                  | 197             | 43   | 168   | 498   |

Source: Ministry of Education, SNZ and Infometrics' estimates.

<sup>2</sup> The per capita spending figures are based on previous Infometrics' estimates adjusted for inflation (*Economic Impact Analysis of Foreign Fee-Paying Students*, report to New Zealand International Education Marketing Network, October 2000). As was stated in that report, a new student expenditure survey is of high priority for any future research into export education.

As noted above, however, spending involves an element of double counting. In terms of value-added or contribution to regional and city GDP the amounts are \$700m (1.9 per cent) and \$500m (2.6 per cent) respectively.<sup>3</sup> A word of caution is in order here; it is assumed that students who attend educational institutions in the city also live and spend in the city. Clearly this is a simplification as some spending by city students occurs in the more widely defined Auckland region, although the reverse situation will also be true. The net effect is unknown so the estimates of city-specific effects will always be approximate.

In terms of employment, export education directly generates 6,400 full time equivalent jobs in the Auckland region of which 4,700 are in the city. Adding the indirect and induced effects raises these estimates to 12,800 and 8,900 respectively. Total FTE employment in the Auckland region is estimated to be 482,600<sup>4</sup>, so export education directly constitutes about 1.3 per cent of the total, rising to 2.7 per cent if all of the flow-on effects are counted.

Table 2 shows the estimated distribution of students by institution and by location – region, city or CBD. Note that the CBD is a subset of the city and the city is a subset of the region.

It is clear that most foreign students in the Auckland region are located within the city. A bit more than half (54 per cent) of this group are estimated to attend educational institutions within the CBD, although the proportion ranges from a low of 39 per cent for students attending private training establishments to a high of 64 per cent for those attending public tertiary institutions.

**Table 2**  
**Foreign Fee-Paying Students in Auckland Region, City and CBD**

|               | <b>Primary &amp; Secondary</b> | <b>Public Tertiary</b> | <b>Private Training</b> | <b>English Language</b> | <b>Total</b> |
|---------------|--------------------------------|------------------------|-------------------------|-------------------------|--------------|
| <b>Region</b> | 8577                           | 8263                   | 3528                    | 24246                   | 44614        |
| <b>City</b>   | 3897                           | 7156                   | 3002                    | 22246                   | 36301        |
| <b>CBD</b>    | 1912                           | 4585                   | 1166                    | 12013                   | 19676        |

Source: Estimated from data provided by SNZ and Ministry of Education

As noted above, determining city-specific effects versus region-specific effects is an approximate business. Estimating the expenditure which occurs in the CBD is particularly hazardous.<sup>5</sup> On a straight pro-rata basis, direct spending within the CBD amounts to around \$270m, again on the assumption that students live and spend where they study. From our

<sup>3</sup> Percentage based on Infometrics' estimates of regional and city GDP in *Auckland City Economic Report*, March 2003.

<sup>4</sup> Based on actual employment for the year ended June 2002 of 574,500 (SNZ, HLFS) and a national average conversion factor of numbers employed to FTE of 0.84 (SNZ, QES).

<sup>5</sup> In terms of Census Area Units the CBD is defined by Auckland harbourside, Auckland central west and Auckland central east. Where educational institutions have premises in more than one area we have either allocated foreign students pro-rata with all students, or else classified them by their dominant location. For language schools the city-CBD split is based on the number of schools as a proxy for the number of students.

interview programme our impression is that more students live outside the CBD but spend inside the CBD (primarily on tuition fees and entertainment) than live inside the CBD and spend outside the CBD. Thus the \$270m is probably an underestimate. Similarly, on a pro-rata basis direct employment in the CBD attributable to export education is about 2500 FTEs, or about 4.7 per cent of the total.<sup>6</sup> We have not applied a multiplier to either of these estimates as they are impossible to determine – and probably meaningless. They would probably be very low as the CBD does not contain much primary or secondary industry.

Overall, the Auckland region in 2001 to 2002 had about 44,600 foreign fee-paying students, 36,000 of whom attended education establishments in Auckland city, with nearly 20,000 in the CBD. Their effect on regional GDP is estimated to have been \$700m, with \$500m contributing to the city's GDP.

For New Zealand as a whole there were an estimated 88,000 students in the year to 30 June 2002, implying that the Auckland region had a 51 per cent market share<sup>7</sup>.

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<sup>6</sup> Auckland City Council estimates total CBD employment of 64,260.

<sup>7</sup> Approximately 15,000 in primary and secondary, 20,800 in public tertiary, 4,700 in PTE and 47,400 in language schools.

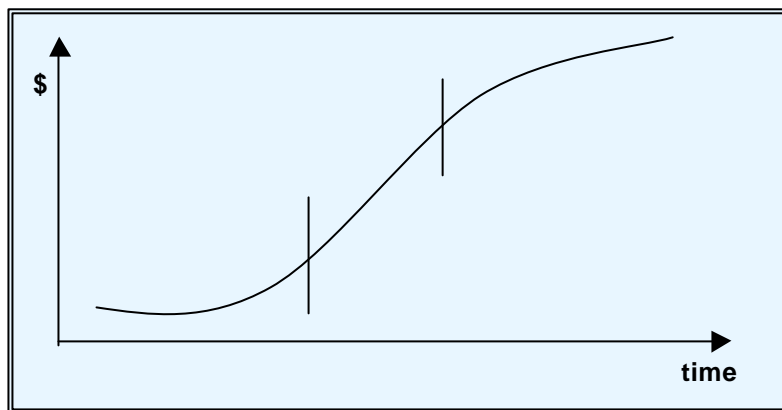
## 2. PROSPECTS AND RISKS

### Prospects

The number of foreign fee-paying students in 1998 to 1999 was 29,000. In 2001 to 2002 it was 88,000; an implied growth rate of 45 per cent per annum. In the Auckland region the corresponding numbers are estimated at 11,600 and 44,600; a growth rate of 57 per cent per annum. The growth was fairly spread across all sub-sectors with primary and secondary numbers rising by 52 per cent pa, public tertiary by 56 per cent per annum and PTES or ELS by 59 per cent per annum. Such rapid rates of growth are most unusual in industries that contribute over a billion dollars to gross domestic product.

The growth path for most industries follows the shape of an elongated S, as shown below. Some numbers are attached to this type of graph in the section below on scenarios

**Figure 2.1**  
**Industry Growth Curve**



The consensus of opinion in the industry is that the rate of growth has probably peaked coming into 2003, although it is still positive. In part this is driven by supply-side factors. Education providers have changed lecture times to increase plant utilisation and reduce congestion, and the number of new establishments is still increasing, both within the CBD and in the wider city and region. However, even with sharply reduced growth rates of 10-20 per cent (still high relative to other industries), the sheer number of people which this growth rate now implies – say 6,000 per annum in Auckland city – means it is almost impossible for the supply of educational places and accommodation to keep pace.

Of course it is not just supply which needs to be considered in evaluating an industry's prospects. Demand is equally if not more important. Overall the prospects for the industry are generally good. New Zealand's share of the international education market is insignificant, so even a small shift in preferences in favour of New Zealand can have a large impact on the local industry. Of course preferences may shift the other way. New Zealand is only fourth or fifth in the ranking of country preferences, so it needs to maintain a consistently high quality experience for fee-paying students.

Underlying demand will continue to increase, with Asia (including India) as the main source. Asia has high economic growth, an expanding middle class, and places a high value on education, particularly on English as the international language of business. Asians have a high propensity to travel, a propensity which will be realised through increased wealth. And more travel implies more exposure to English. Russia, South America and the Middle East (and Turkey) share some of these attributes.

The nature of this growth will be manifested primarily in demand for tertiary education and for the pre-requisite satisfaction of English standards; implying demand for 'Foundation' courses and IELTS or similar qualifications. The latter are also in demand for their value in gaining points for permanent residency in New Zealand.

Some growth scenarios are presented at the end of this section, but first we discuss the risks to the industry and how these are being managed – or how they might be managed.

## Risks

New Zealand's continued attractiveness to foreign students depends on the New Zealand brand – the quality of the education, the quality of the experience (environment, accommodation, safety) and the competitiveness of the New Zealand product. Strong underlying demand does not necessarily imply strong growth in realised demand. There are a number of risks, of which most people involved in the industry are acutely aware. These may be broadly classified as financial, quality, political and other random events.

### 1. Financial

Exchange rate volatility, prices (tuition costs at some institutions are comparable with Australia, which is a preferred destination), and economic downturns in major source countries.

### 2. Quality

Education standards and general experience of studying in New Zealand. The quality of the business offering will be increasingly important; the financial security of the provider, international recognition and credibility of the provider, overall management of students and so on. Less direct risks such as the quality of transport infrastructure in Auckland are also important.

### 3. Political

Adverse political developments whether in New Zealand (such as anti-immigrant rhetoric by politicians) or overseas, such as sensitive foreign governments restricting permission for their citizens to study in New Zealand, changes in entry requirements to overseas educational institutions, and recent changes in the United Kingdom and Australia to ease visa processing requirements and approval times.

Related to this is the way that export education and international students in particular, are portrayed in the media. An example is the media imbalance with regard to reporting

crime such as kidnapping that involves Asians. Some educational institutions noted that concern has been expressed in China about the negative experiences of their students in New Zealand.

#### 4. Other random risks

For example SARS or terrorist activity. It seems from our consultations that language schools have been more affected by SARS than the rest of the industry. It has not affected the demand from South Korea – the second largest market after the Chinese.

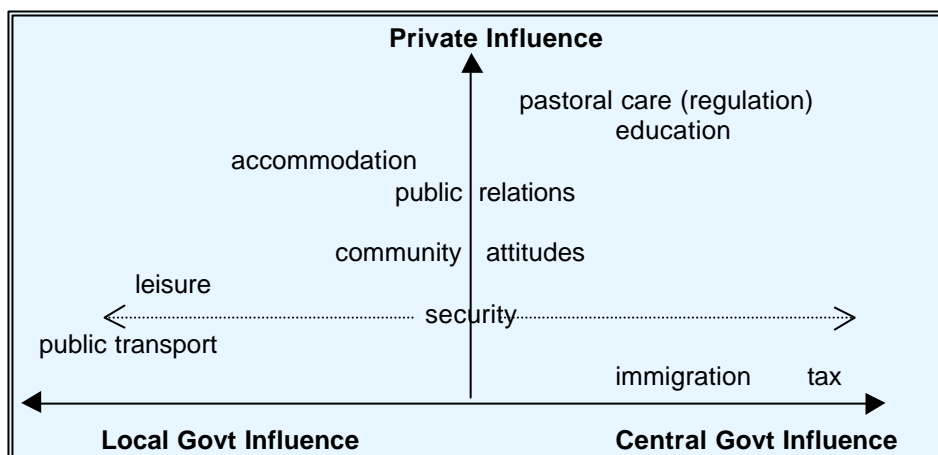
## Risk Management

The industry does not see itself as being particularly exposed to any pre-eminent risk that requires an urgent response. We received some reports of price reductions and higher agent incentives in response to SARS, but not on a widespread scale. For most institutions the period of rapid growth is past – quite apart from any SARS effect – with more conservative practices being adopted with regard to marketing and capital budgeting. Many of the risks identified above can be addressed by action on the part of the educational institutions themselves. Others require action by government (local or central) or by the wider community. The relative degree to which each of the major issues can be affected by the various players in the industry is shown in Figure 2.2 below.

The classification system is essentially three dimensional; private, local government and central government. For example accommodation is largely a private sector issue, but local government also has influence via resource consents. Central government has an effect via building and energy efficiency codes, but these are minimum uniform standards that are not specific to foreign students.

Other areas where Auckland City and / or the Auckland Regional Council (ARC) have relative market power are public transport, the provision of leisure facilities and to a lesser extent, security. Actions by private providers and by central government are discussed below. Local government actions are discussed in the section on infrastructure and accommodation.

**Figure 2.2**  
**Relative Sector Influence**



## Private Influence

About 50 per cent of foreign fee-paying students come from China. All of the educational institutions are aware of the business risk this poses and most are attempting to attract students from other countries. Too many students from one country implies not only direct financial risk but also, via quality concerns, higher indirect financial risk as well. That is, with a dominant ethnic group it is more difficult for those students to be placed in ethnically heterogeneous classes and accommodation in such a way that they live and learn within a New Zealand English language and western culture environment. Exacerbating this is the tendency for ethnic groups to cluster together, which some providers have responded to by implementing “buddy” systems. If the quality of the New Zealand educational experience is jeopardised exposure to medium term financial risk is increased.

Consequently, some institutions no longer actively market in China, with attention being directed to India, South America, Russia, and other parts of Asia such as Thailand and Vietnam. Currently, however, marketing in other countries has a much lower benefit-cost ratio.

Some institutions are also endeavouring to expand the “study abroad” group of students, for whom learning English is not a core aspect of the experience. These students come primarily from Europe, Scandinavia and North America.

More generally, most non-language providers now have policies on the maximum proportion of students that should be foreign fee-paying. For secondary providers this is commonly around 10-15per cent, with up to 20 per cent for tertiary providers. These limits are not so much because of constrained physical space; rather they are another response to the realisation that product quality is impeded by a dilution of the New Zealand (and English language or western culture) content of the experience. The quality of the education delivered to domestic students is also relevant here.

Another approach to reducing risk is to establish joint venture educational services in foreign countries. The Ministry of Education estimates that in 2001 there were 17 New Zealand educational institutions providing 63 offshore programmes<sup>8</sup>. Numbers have almost certainly increased since then. A variation on this approach is the entry into the New Zealand market of foreign providers, an example being Australia’s Wollongong University which teaches students English in Auckland (as Wollongong College) in order for them to gain entry into Australian tertiary institutions. They are aiming for 500-600 students and also offer diploma courses. While some local players do not welcome this competition, there is reluctant support for the increased business acumen and professionalism that such competition brings to the industry.

Other actions which have been taken by providers include the raising of entry standards (particularly by universities) as means of rationing places, as well as the arrangement the

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<sup>8</sup> Foreign Fee Paying Students Statistics to 2001, Ministry of Education.

Association of Private Providers of English Language (APPEL) have to come to the aid of members who encounter problems in meeting their obligations to students.

## **Government Influence**

With regard to central government influence, there is general consensus that the Code of Practice will be beneficial,<sup>9</sup> serving to set at least a minimum standard with regard to student accommodation and pastoral care, thereby addressing some important dimensions of the overall New Zealand educational experience. Some providers have gone beyond the Code with one helping students to buy or lease vehicles on the condition that they attend a defensive driving course.

To date the role of central government has been relatively light-handed compared to other industries such as dairy exports, airline landing rights, and finance, although the recent review of the Code of Practice was seen by many in the industry as coming too soon after the original Code was implemented. There is also a risk that regulation will become more heavy-handed with suggestions including the imposition of a lower limit on the age of foreign students and the application of an overall numerical limit for example.<sup>10</sup> The latter in particular is unworkable as, even if an appropriate limit was defined, how would excess demand be rationed? Where indeed is the market failure that is leading to some educational institutions to have too many foreign students? For any given institution, how many is too many?

The industry is also waiting to see what benefit it will receive from the export education levy introduced last year. Export education is one of only a few industries subject to additional taxation – in the form of the international student levy and the export education levy. Only the industries of gambling, tobacco and alcohol, plus motor spirits are subjected to additional taxation, albeit that these industries have no control over how the taxation revenue is spent, whereas the export education levy is ostensibly used for the benefit industry.

The replacement of university entrance and bursary with the NCEA qualification is another area where the government has created some difficulties. Some providers are adopting overseas examinations (Cambridge University, baccalaureate, etc) to counter negative perceptions about the NCEA.

Another dimension of the NCEA relates to university entrance requirements. The New Zealand Vice-Chancellors Committee has mandated that an international student who intends

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<sup>9</sup> The mandatory Code of Practice for the Pastoral Care of International Students was gazetted on 13 December 2001 after extensive consultation with sector representatives. The Code establishes a framework for minimum standards, good practice procedures and a complaints procedure for providers enrolling international students. The Code came into force on 31 March 2002 and was revised in July 2003." (Source: Ministry of Education, [www.minedu.govt.nz](http://www.minedu.govt.nz))

<sup>10</sup> In September 2003 the government introduced conditions on enrolling foreign students aged 10 and under. See [www.minedu.govt.nz](http://www.minedu.govt.nz).

to qualify for entry to university via the NCEA must also meet certain literacy and numeracy standards. They will not be allowed to fall back on IELTS or TOEFL if they fail NCEA.

This is likely to lead to less demand from students who wish to enter a New Zealand university via a secondary school NCEA course which, other factors being constant, will reduce the demand for places at secondary schools and increase the demand for places at language schools. Appropriate IELTS or TOEFL grades from the latter will still enable foreign students to enter New Zealand universities. From Auckland city's perspective this switch would lead to an increase in the concentration of foreign students in the CBD.

With regard to students obtaining study visas it is perceived that the rules are being inconsistently applied, which is detracting from the quality of the New Zealand product. Also congestion at NZIS offices is an issue when visas need to be renewed. The Immigration Service is responding to the pressure by opening another office in Auckland and by allowing educational providers to process applications on site and on-line. The more serious issue is further upstream when the initial application is decided.

Officers from NZIS make a judgement about whether an application is *bona fide*. This involves considering factors such as academic record (and its veracity), region of origin, travel history and so on. While the list of factors is reasonably well defined, the final call is essentially a subjective one, notwithstanding the existence of a random quality assessment procedure. Essentially the problem is to balance the probability of a admitting a false positive (allowing entry to a student who subsequently fails through poor attendance and / or trouble with the law) against the probability of rejecting a false negative (rejecting someone who should be admitted).

As with any problem of this sort it is impossible to design a testing or evaluation regime which minimises both types of error simultaneously. If immigration officers perceive that rising numbers of students are becoming involved in crime, not attending classes or requesting refunds, then it is only natural – possibly without explicit realisation – that more applications will be rejected.

Some providers and agents reported that more applications are currently being rejected and that decisions are inconsistent and unpredictable. However, the Service denies that this is the case. There is no response to this which is guaranteed to produce the correct decisions. Probably the best that can be done is to ensure NZIS officers receive regular objective and unbiased information (not just media coverage) about the incidence of non-attendance, refund requests and so on, so that they will be more likely to deliver consistent decisions over time. More co-operation between the NZQA and the NZIS may be required.

## Growth Scenarios

As in the diagram at the beginning of this section the development of most industries is characterised by slow growth in the initial stages, then rapid growth as consumers become aware of what it offers and new players enter the industry, followed by consolidation as most consumer demand is fulfilled and unprofitable suppliers exit the industry. Successive waves of new products or the penetration of new markets can prolong the rapid growth phase.

An industry that shows some evidence of an elongated S-shape to its growth is tourism. See Figure 2.3.

Over the period 1985 to 2002 real tourism earnings rose at about 6.9 per cent per annum. There was a sharp downturn at the time of the Asian economic crisis, but growth rebounded strongly after that. Beyond 2003 our projected growth in real tourism earnings is 3-5 per cent per annum.

While the industry has had some years of impressive growth, it has never experienced growth rates as high as those that have recently occurred in export education.

For the primary, secondary and public tertiary sectors, data on foreign fee-paying students is available from 1993 or 1994. As shown in Figures 2.5 to 2.7 below, since the Asian crisis which caused numbers to decline for two years or so from 1997, growth has been exponential. Reliable data on students attending English language schools and other private training establishments is not available before 1999.

**Figure 2.3**

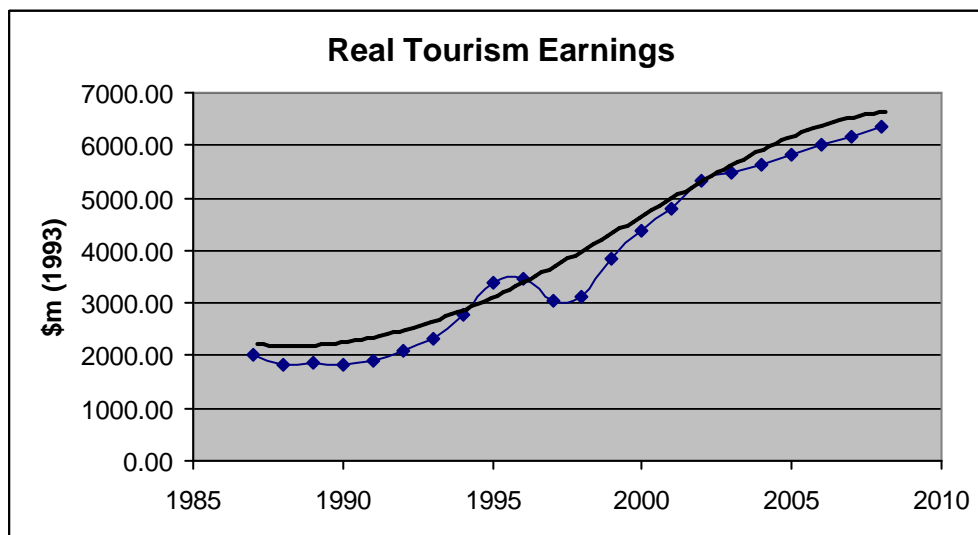
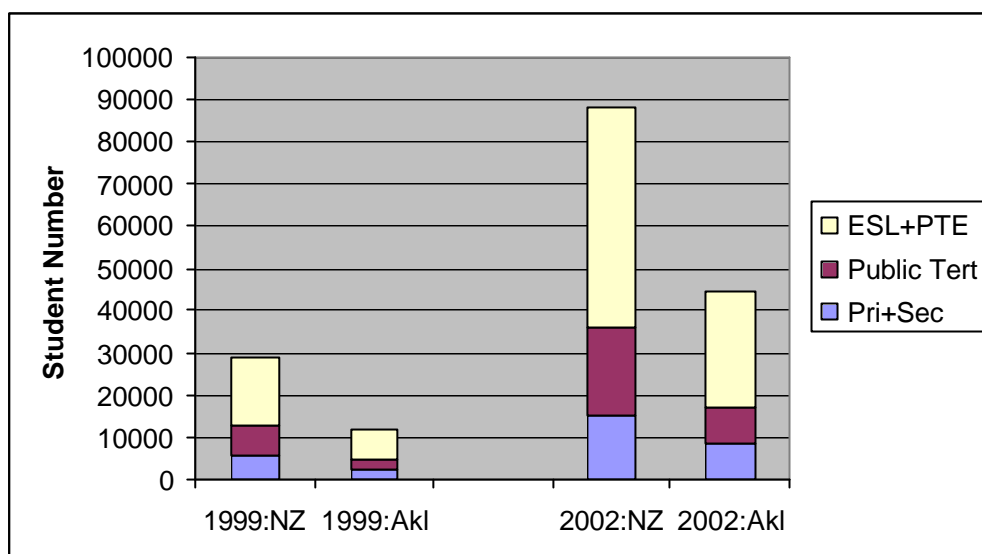


Figure 2.4 shows the growth and composition of foreign fee-paying students nationally and for the Auckland region, for 1999 and 2001.

**Figure 2.4**  
**FFPS in Auckland Region and New Zealand**



|           | Pri+Sec | Public Tert | ESL+PTE | Total |
|-----------|---------|-------------|---------|-------|
| 1999:NZ   | 5699    | 6879        | 16473   | 29051 |
| 1999:Akl  | 2438    | 2195        | 6962    | 11595 |
| 2002:NZ   | 15034   | 20767       | 52122   | 87923 |
| 2002:Akl  | 8577    | 8263        | 27774   | 44614 |
| NZ growth | 38.2%   | 44.5%       | 46.8%   | 44.6% |
| Ak growth | 52.1%   | 55.6%       | 58.6%   | 56.7% |

As noted earlier, FFPS numbers rose by 45% nationally and by 57 per cent in the Auckland region between 1999 and 2003. Again, referring to Figures 2.5 - 2.7, such rapid rates of growth are probably the maximum rate of growth that the industry can absorb, and even then not for more than about two years.

An analogy with tourism is useful. Both industries are export service industries that market to a broad range of countries. Both provide a product which depends on a range of different, but complementary services. Both consist of a multitude of relatively small providers, and both experienced rapid growth in their formative years. Periods of rapid growth are characterised by the progressive utilisation of excess capacity to meet a ready market – a market that has emerged with comparatively little marketing effort by New Zealand.

For both tourism and export education that has now changed. There is more competition in the international market and (with regard to export education) the absolute number of students has reached the stage where new capacity in both education and accommodation needs to be installed. Thus as noted above, there are both demand side factors and supply side factors that point to slower rates of growth in future.

Export education has six main components

- ❖ English for entry to a New Zealand or Australian university
- ❖ Tertiary study (other than English)
- ❖ English for migration to NZ
- ❖ English as part of general education to use in a student's home country or other country
- ❖ Education abroad experience (mostly by Europeans and North Americans).
- ❖ Offshore delivery (may have very similar consumer objectives but is a different product from a delivery perspective).

It is beyond the ambit of this project to assess in detail the growth opportunities in each of these markets. It is clear, however, that New Zealand universities, especially Auckland University are reaching capacity, whether in terms of actual physical space (with rising numbers of domestic students as well) or in terms of the quality of product delivery. Hence components (1) and (2) are likely to show limited growth over the next five years.

The other four components have strong growth potential. This is especially true of (5) and (6), although a small base means that they are unlikely to make a major contribution to the size of the industry over the foreseeable future. By weight of numbers therefore, components (3) and (4) are likely to be the most significant players in the future growth of the industry.

Given all of these factors plus the risks to the industry discussed above, we see the growth of export education as likely to be between the low and high scenarios defined below. We include a central scenario as well.

## **Scenarios**

### **High: 20 per cent per annum**

As an average over the next five years we consider it unlikely that growth in the number of foreign fee-paying students in the Auckland region will exceed 20 per cent per annum. However, volatility around this rate is quite probable.

### **Medium: 10 per cent per annum**

With the slower and in some cases negative growth currently being experienced by the industry, a few years of growth well in excess of 10 per cent will be required in order to reach an average of 10 per cent over the next five years. This is still above the rate of growth achieved by tourism since 1985, but export education is still a much younger industry

Growth of 10 per cent pa implies some degree of consolidation of the industry on the supply side (capacity constraints at university level, changes in product mix and so on), but no marked change in New Zealand's share of an international market, which has very strong growth potential well beyond the next five years.

### **Low: 2 per cent per annum**

This low growth rate would most likely be generated either by a significant negative external shock such as the re-emergence of SARS or by a marked decline in the quality – or perceived quality – of the New Zealand product. Likely causes here would be more educational providers closing down, more crime involving foreign students and the associated negative publicity, and an uncompetitive product. Clearly an even worse scenario could be possible, but we consider this relatively unlikely.

Note that even an average growth rate of 2 per cent implies growth faster than this to compensate for the current downturn. Over a 10 year horizon, two years with, say, no growth would require 8 years of 2.5 per cent growth to be at the same end point.

The historical student numbers and the projected numbers for each of the above scenarios are shown in Appendix B.

Figures 2.8 - 2.10 illustrate the scenarios. Firstly, Figure 2.8 shows how the scenarios would look in the context of the three market segments for which a reasonable time series is available; primary, secondary and public tertiary. The medium growth scenario clearly shows the elongated S-shape over the period from 1994 to 2008. The high growth scenario extends the recent rapid expansion phase for another five years.

Figure 2.9 applies the three scenarios to total FFPS numbers. The elongated S-shape is less marked as the historical part of the series is shorter. By 2008 the total number of FFPS is likely to be between 99,000 and 260,000, with a central projection of 156,000.

Figure 2.10 applies the scenarios to FFPS in the Auckland region. While there will probably be some divergence between how the industry performs in Auckland and how it performs nationally, the difference is well within the forecasting error margin. Even the direction of any divergence is not clear. The Auckland tertiary sector is more constrained than elsewhere in the country, but then Auckland has a greater attraction to language schools.

The scenarios yield projection of Auckland region FFPS numbers in 2008 of between 50,000 and 133,000, with a central value of 79,000.

Based on the spending figures and economic multipliers presented in section 1, by 2008 Auckland regional GDP attributable to FFPS will be between about \$800m and \$2100m, with \$1200m under the medium growth scenario. For Auckland city, assuming that the city retains its share of the regional market, this corresponds to about \$900m with a likely range of \$600m to \$1500m, depending on the relative pace of development between the city and the region.

## Summary

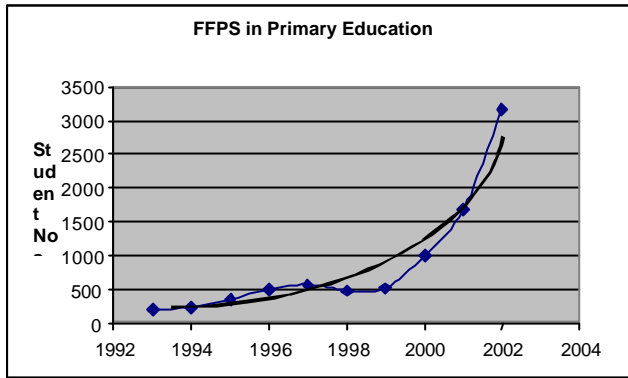
Overall Auckland's export education industry is consolidating and increasing in professionalism. Educational providers are aware of risks facing the industry and most are actively trying to reduce their exposure, primarily through diversification in the student mix, specialisation and tougher course entry requirements. This should ensure that growth over the next five years is at least 10 per cent per annum.

On balance central government interventions in the industry have been beneficial, although we are aware that this view is not unanimous. And there is some risk that the regulation regime could move from being light-handed to heavy-handed, for which no case has been satisfactorily demonstrated.

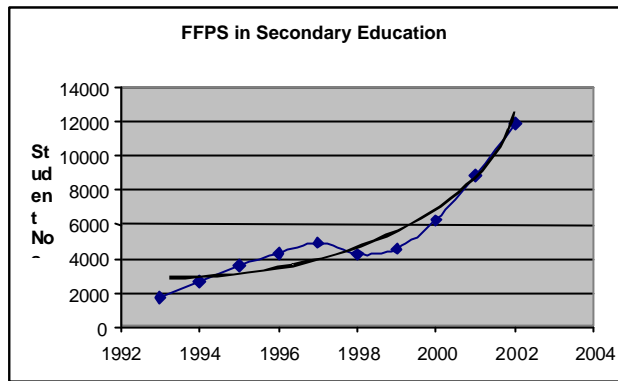
Government also needs to demonstrate that the export education levy will deliver benefits that exceed its costs. Currently the industry is treated less favourably than other export industries such as tourism and dairy processing, which are supported by the taxpayer and protective regulation respectively, rather than by levies.

Finally, the whole area of immigration such as time lags, decision making and NZQA and NZIS co-operation needs attention.

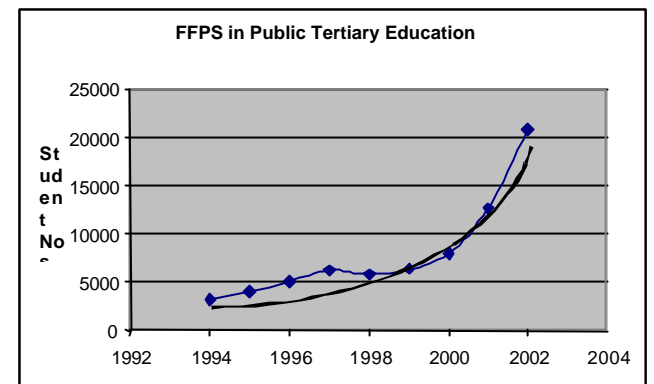
**Figure 2.5**



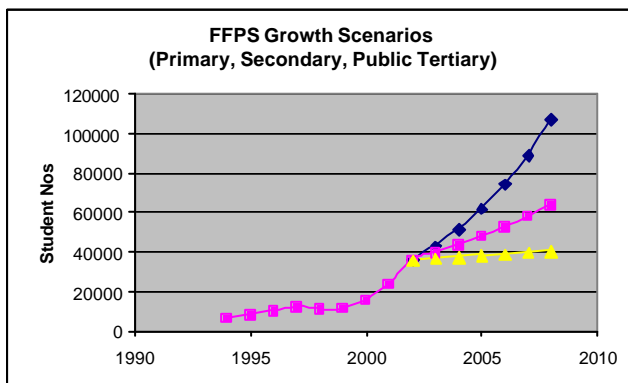
**Figure 2.6**



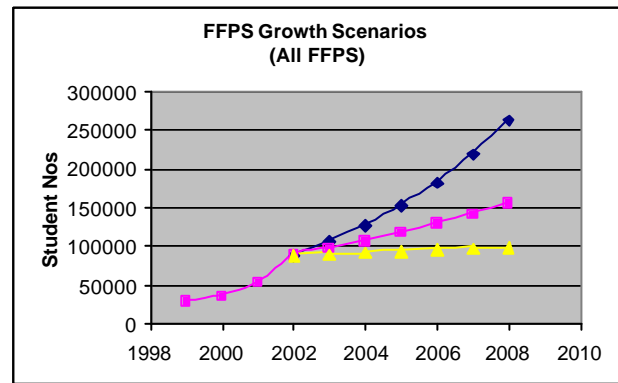
**Figure 2.7**



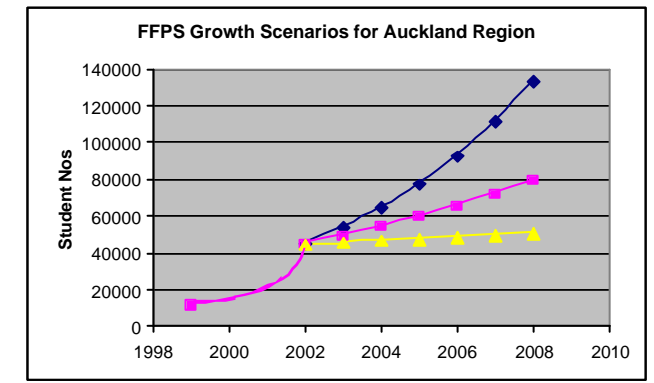
**Figure 2.8**



**Figure 2.9**



**Figure 2.10**



—◆ High Growth: 20% pa    
 —■ Medium Growth: 10% pa    
 —▲ Low Growth: 2% pa



### 3. ACCOMMODATION

In this section we cover the nature of demand for foreign student accommodation services, the response from households, developers and education providers, and implications for Auckland City.

In section 4 we discuss the demand for space to operate education institutions and in particular the impact it is having on CBD office space.

Clearly, all foreign students attending education institutions in Auckland require accommodation. The accommodation market is broadly split between:

- ❖ those attending schools (normally less than 18 years of age) who predominantly use homestay accommodation, and
- ❖ those attending tertiary institutions who are accommodated in either homestays, private flats, apartments or hostels.

There are around 4,000 school-age foreign students in Auckland city, the majority of whom would be accommodated in homestays. Auckland city also has around 7,000 foreign public tertiary students who would generally stay in hostels or apartments. In addition to these two full-time student populations there are about 25,000 foreign students who attend private training establishments (PTE) or English as a second language (ESL) institutions in Auckland each year. The majority of these students stay in hostels and apartments, though many also stay with families.

Demand for accommodation services is frequently not for a full year. It is determined by the academic timetables adopted by education providers. In general the academic year runs for roughly 38 weeks, with three main holiday periods (April, July, September, two weeks each). Students normally contract for the full academic year or the full period of the course including holidays. Some apartment providers contract students for a 12-month period despite the fact that rooms will remain unoccupied for up to 14 weeks over the summer. A high proportion of the 25,000 PTE and ESL students would stay in New Zealand for less than 38 weeks – many for as little as four weeks, although the schools themselves may operate for the full year.

Accommodation demand is managed either directly by individual education institutions (University of Auckland) or via homestay agencies. Foreign students prefer accommodation close to the institution they study at. They try to avoid travelling more than 2-3 zones between classes and accommodation.

#### **Homestays**

There are around 3,900 foreign primary and secondary students studying in Auckland city. Virtually all of these students will be accommodated in private homestays or with designated

caregivers approved by the school. A small proportion of the remaining 32,000 foreign students (probably less than 20,000 full-time equivalent) studying in Auckland city will also be using homestay accommodation, at least for a short time.

Homestay accommodation generally means a room in a private house, sharing most living spaces, eating with the host family and in most cases the student will be the direct responsibility of the host family. This extended family arrangement is less common in Australia and the United States and therefore is an important point of difference for New Zealand education services.

More than half of all homestays that are not directly managed by education providers themselves are managed by fewer than a handful of private agencies. In some cases schools will manage the payment of accommodation fees to ensure their clients are not financially disadvantaged and will take a margin on the fees to cover administration and monitoring costs. The performance and quality of the major homestay agencies in Auckland have potential ramifications for the reputation of foreign education providers and the City.

Location is an important factor determining the desirability of individual homestays – proximity to the education provider, entertainment facilities, and easy access to good transport services are all relevant factors shaping the attractiveness of individual homestays. Increasing congestion is making transport services less reliable and therefore encouraging students to locate nearer to their education providers.

The inner city supply of homestay accommodation is now more-or-less exhausted. Prices for such accommodation are rising along with inner city rentals. Not surprisingly, the further from the CBD the lower the cost of homestay accommodation.

Those education providers interviewed for this study indicated that they were short of good quality homestay accommodation. Higher prices may encourage more supply, but most homestay providers do not do it for the money alone. Several institutions noted that those who did it primarily for the money tended to lack the quality care desired.

Asian students appear to prefer inner city living – they are accustomed to the bustle and direct access to eating and entertainment facilities. That would suggest ongoing demand for central city apartment-type accommodation. However, part of the rationale for investing in an education in New Zealand, particularly in the case of English language courses, is the opportunity to mix with New Zealanders. Homestays have some obvious advantages over apartment living in this respect.

The majority of those running homestay accommodation for foreign students take more than one student, with an emphasis on achieving ethnic compatibility amongst the students, although some deliberately aim to mix ethnic groups. The maximum number of students that can be accommodated in a private home is four. Beyond that, the accommodation service provider is defined as a boarding house and is then subject to Auckland City by-laws (e.g. fire safety measures, physical spaces). Under the Ministry of Education's Code of Practice

homestay operators are required to confirm to schools that they comply with local by-laws regarding boarding establishments.

Homestay providers are subject to the revised code of practice (COP) released by the Ministry of Education in September 2003<sup>11</sup>. The new COP brings greater formality to the homestay market, but is unlikely to eliminate rogue elements in the homestay market. For example, under the COP homestays are subject to ad hoc inspection, but not those offering accommodation for three months or less.

Although there was some comment that homestays were not suited to short stay students because the high rate of turnover was stressful on families, homestay operators tend to accommodate non-school students for relatively short periods. The students see homestay as a helpful stepping stone to private arrangements – flatting with other foreign students. One major homestay agency reports that 80 per cent of their July intake of language and tertiary students have now moved into privately arranged accommodation.

Given the importance of the homestay market the point was raised that the industry perhaps needed some form of voluntary industry association to maintain quality standards and might also levy members to cover financial difficulties that could reflect badly on the whole industry. It was suggested that Study Auckland might facilitate the establishment of such an association.

## **Apartments and hostels**

There are around 7,000 foreign students attending tertiary education courses in Auckland city, at the University of Auckland, Auckland University of Technology (AUT), UNITEC and other tertiary providers. The majority of these students will stay in hostels or apartments owned and / or managed by the institutions the students study at.

The other major source of demand for apartments and hostel accommodation is from the roughly 25,000 PTE and ESL foreign students. Given that most of these students will stay in New Zealand for less than a full academic year the effective demand for accommodation is probably nearer 12,000 rooms or beds.

Roughly half the students in university hostels and apartments are foreign students.

Tertiary institutions generally have their own halls of residence or apartment buildings sited either within their campus or close by. These are fully owned and managed by the institution and provide pastoral care and recreation activities. These hostels were originally provided for students coming to study from outside Auckland, but more locals are using the services because of poor transport services.

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<sup>11</sup> Ministry of education Code of Practice for pastoral care of international students. See [www.minedu.govt.nz](http://www.minedu.govt.nz).

More recently some tertiary institutions have gone into arrangements with developers and independent property companies. The tertiary institution acts as a tenant with long-term lease arrangements on a similar basis to service businesses contracting for office space. The education institutions then sub lease the space to students. There is a significant contingent liability for education institutions that commit to such arrangements. Any downturn in student numbers would result in these institutions realising at least some of that liability.

The University of Auckland has a policy of fully owning and managing its student accommodation to ensure appropriate standards of accommodation facilities and flexibility. Developers are seen as trying to squeeze the last dollar out of the project rather than focusing on student welfare. Other tertiary institutions have entered long-term contracts with apartment building owners.

Several people interviewed for this report raised concerns about the quality of new accommodation being constructed. Student apartments are often very small with some in the UniLodge building in Anzac Ave as little as 14 square metres. Minimum regulations covering apartment buildings in central Auckland have led developers to construct some very basic buildings that may ultimately undermine the reputation of the education package being offered in Auckland and also leave the city with vacant and derelict buildings.

Several student apartment buildings have been unit titled, which makes it difficult to make significant changes to the building and facilities.

The University of Auckland is looking to build at least another 600 rooms in two buildings on land close to the existing accommodation precinct. Other major student accommodation buildings include a block of 300 apartments (some with five rooms per apartment) in Mount Street. Oshu Corporation of Japan is converting the Park Tower Hotel in Scotia Place into accommodation for around 200 students. We are aware of at least one other student apartment block to accommodate around 150 students in central Auckland.

Bayleys Research predicts that the total stock of apartments within Auckland city will increase by around 55 per cent between 2002 and 2004 calendar years. That implies another 3,900 additional apartments. In September 2002 Infometrics undertook a study of the "Development of Apartment Living in Auckland City – Trends, Prospects and Implications" for Auckland City. In that study we predicted a total of 3,995 new apartments in Auckland city between 2002 and 2004 and 5,755 between 2003 and 2006, see Table 3.1.

Apartment buildings or hostels are really the only economic way of providing central city accommodation. The increase in the central city permanent population has probably helped make the central city safer.

Vacancy rates in the student apartment and hostel market appear to vary considerably. Some university hostels enjoy 100 per cent occupancy, while some apartment complexes are experiencing vacancy rates of more than 10 per cent. That may partly reflect the recent SARS-related reduction in foreign student numbers and also some resistance to sub-standard apartments.

Room and apartments rentals have been increasing by between 5 and 6 per centpa and some landlords are looking to push rents up by 7 per cent in 2004. Hostel and apartment rates (around \$210 per week) are generally higher than for homestay accommodation (\$185-\$195 per week) reflecting a premium for location. Per week rates vary depending on the length of the contract – some accommodation providers require students to commit to a 12 month lease where the weekly rate will be relatively low but the total cost of the lease ends up being relatively high.

**Table 3.1**

| <b>Auckland City population and building</b> |                   |                                |                           |
|--|-------------------|--------------------------------|---------------------------|
| March years                                  |                   |                                |                           |
|  | <b>Population</b> | <b>Total dwelling consents</b> | <b>Apartment consents</b> |
| 1993   |                   | 1,433                          | 108                       |
| 1994   |                   | 1,892                          | 315                       |
| 1995   |                   | 2,652                          | 918                       |
| 1996   | 345,768           | 1,877                          | 473                       |
| 1997   |                   | 2,318                          | 712                       |
| <b>93-97 (avg)</b>                           |                   | <b>2,034</b>                   | <b>505</b>                |
| 1998   |                   | 2,918                          | 1,322                     |
| 1999   |                   | 2,170                          | 1,009                     |
| 2000   |                   | 3,393                          | 1,968                     |
| 2001   | 367,734           | 1,863                          | 663                       |
| 2002   |                   | 2,554                          | 1,381                     |
| <b>98-02 (avg)</b>                           |                   | <b>2,580</b>                   | <b>1,269</b>              |
| 2003   |                   | 3,032                          | 1,686                     |
| 2004   |                   | 2,252                          | 928                       |
| 2005   |                   | 3,030                          | 1,588                     |
| 2006   | 396,800           | 2,963                          | 1,553                     |

*Source: Statistics NZ, Infometrics forecasts*

The strong growth in demand for student apartments has made their ownership an attractive investment for developers and property investors. As a result Auckland has experienced historically high levels of new dwelling construction – over the year ended June 2003 there were 4,475 new apartment dwelling consents issued in the Auckland Region. That was 90 per cent up on the preceding year and 197 per cent ahead of the year ended June 2001.

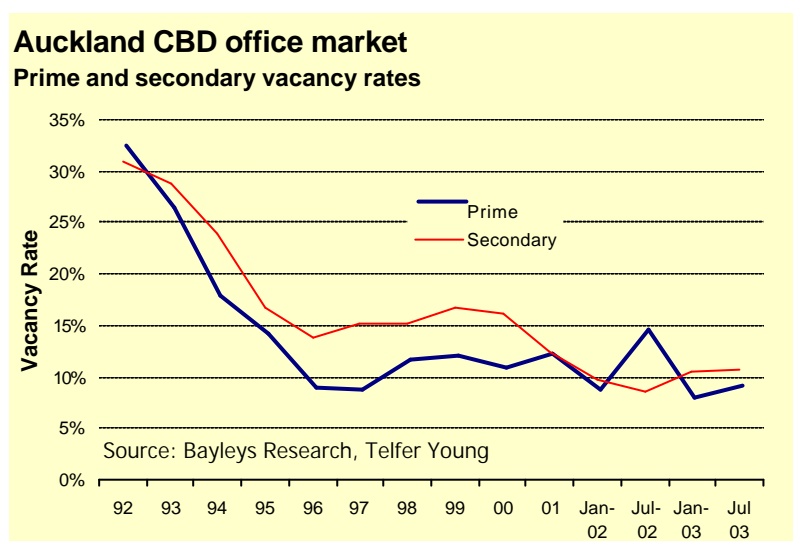
Any weakening in demand for apartments as a result of a downturn in students numbers over the short term will likely be offset, to a large degree, by continuing strong demand from people moving into the central city, ongoing immigration and low interest rates.

## 4. EDUCATION PREMISES

Education-related activities (excluding student living space) account for between 11 per cent and 14 per cent of CBD office space in Auckland according to several property companies<sup>12</sup>. That compares with just 3 per cent in 1996. Education businesses are now the biggest users of office space in the Auckland CBD. The main sources of increased demand have been University of Auckland, AUT and English language schools.

The steady expansion of the education sector has played an important role in reducing the vacancy rate in Auckland's CBD office space, particularly the secondary space (see Figure 4.1).

**Figure 4.1**



In most cases education providers have taken over existing office space designed for traditional service businesses. Often the buildings are C and D grade space with relatively old facilities. The change of use has thrown up a number of problems for building owners as well as existing tenants. The range of problems include:

- ❖ Increased loading on old air conditioning systems reducing the quality of air available to tenants
- ❖ Crowding of entrance foyers and lift areas – some tenants are concerned about health and safety issues, particularly relating to emergency exit procedures
- ❖ Increased incidence of smoking either in the building or immediately outside it
- ❖ Lift systems not being designed for the volume of traffic now imposed on them – waiting and travel times have increased significantly

<sup>12</sup> Jones Lang LaSalle, June 2003, Survey of Traditional Office Occupants on Co-location with Educational Use. Bayleys Research, July 2003, Monthly Bulletin. TelferYoung Auckland Newsletter, April 2003.

These issues detract from the service ordinary tenants expect from leasing space in office buildings. Furthermore, clients of businesses in buildings with a significant student population may be discouraged from visiting and doing business with such firms.

Some larger education institutions clearly have their own purpose built buildings or have taken over all of the space in existing buildings.

Some building owners, particularly of A and B grade buildings, exclude education institutions to avoid the above problems. Moreover, rents in such space are higher reflecting the quality of the space and building facilities as well as the type of tenant.

The fact that education businesses tend to occupy C and D grade space reflects at least three factors:

- ❖ The high vacancy rates in such buildings
- ❖ The central city location of much of the space
- ❖ The cost of the space

Without the influx of education institutions vacancy rates in Auckland's CBD would be much higher creating downward pressure on rents and therefore undermining the ability of developers to erect new buildings. The latter are important to the city in attracting and retaining high profile and valuable businesses.

The increased occupation and intensive use of C and D grade buildings by education providers will translate into increased operating costs and accelerated depreciation of these buildings. These additional costs plus increased demand for renovation or refurbishment have been reflected in a higher level of activity for building and construction firms in Auckland. The more intense use of C and D category buildings will shorten the life of such buildings and is likely to hasten the redevelopment of the CBD.

The two main education providers in the city – the University of Auckland and AUT – have ongoing building programmes. There appears to be some commitment to ensure new buildings enhance the City environment both in terms of how the buildings interact with the City and also the quality of the buildings. AUT are in the process of developing new buildings near the centre of the City that will have a public plaza that comes off the street into the campus.

The University of Auckland's new business school, which is now under construction, will probably be the single biggest education-related building project in Auckland over the next five years. Its estimated completion cost will be in the vicinity of \$110m. It appears that an important factor driving the quality of the university buildings is the attitude of the senior management.

The council may have some role in supporting the senior executives of key education institutions to build high quality buildings and preserve older character buildings that will enhance the City's environment rather than simply add to its stock of buildings.

## 5. INFRASTRUCTURE

Infrastructure is a very general term, covering physical distribution systems such as energy, transport, water and telecommunications networks, and assets such as buildings for accommodation, learning and entertainment. Sometimes it is also used to describe the availability and distribution of human capital and cultural networking.

### **Transport**

Excluding accommodation for both educational providers and their students, which is addressed in separate sections, it is clear from our interview programme that transport is the main infrastructural issue of concern to Auckland's export education industry. A distant second is entertainment and leisure facilities, although the two issues are not unrelated.

Public transport operators have noticed an increase in demand for city travel with the rise in the number of foreign students. Up until recently this has been satisfied reasonably well with the existing fleet, as most of the travel demand by students is at off-peak times. However, with education providers moving to longer class contact days in order to accommodate higher student numbers and achieve greater capacity utilisation, student travel demand has stretched into peak times. This has led transport operators to expand their fleets – just to maintain service levels.

Patronage on buses increased by 7 per cent last year with a similar rise (optimistically) expected this year, implying that about half of the new buses being introduced into the fleet are replacement vehicles and half are required to meet new custom.

Fleet operators suffer from the vicious circle of urban transport congestion. The greater the congestion the more vehicles they need to meet timetables (with one bus company stating that for every two buses required to meet additional demand, another one is required to offset congestion), and so the greater the congestion. Trip times on some routes are reported to have increased by about 50 per cent over the last two years. This reinforces the demand for residency close to where students attend classes, which is especially noticeable in the inner city. Furthermore, because late night and weekend services are relatively infrequent, students also desire to be close to where most entertainment facilities are located – again in the inner city.

Some routes are better than others, with the bus lanes on the St Lukes-city route for example improving travel times markedly. Operators also feel that Britomart will (in time) be good for public transport, although for Auckland University students the distance to the centre of the campus is longer. There is, however a free city circuit bus.

Another issue raised by both transport operators and education providers is that of communication barriers. Turnover amongst bus drivers is high and about 50 per cent of the city's drivers themselves use English as a second language. As they tend to be from different

ethnic groups than overseas students, the lack of English knowledge and vastly different accents often lead to confused students. Better information and publicity at the language schools should ameliorate this situation, along with more training of bus drivers in customer service.

If Auckland City believes that export education is too concentrated in the CBD – in terms of both residency and premises, it needs to work with the Auckland Regional Council to renegotiate agreements on routes and timetables with public transport providers.

Students also feel uncomfortable about travelling on public transport at night, partly because of inadequate bus shelters. However, the council has made excellent progress in this area over recent years. The Adshel bus shelter programme will see 140 shelters installed in the three years ending 2003 to 2004. In addition to this specific programme another 20-25 shelters are installed annually

It is accepted that more bus shelters and more frequent services would probably entail increased funding, which may not be justified in relation to the benefits of the export education industry alone. This is an empirical question.

Export education is just another example of an industry whose rate of growth and spatial pattern of development is being affected by an inadequate transport infrastructure, including both public transport and the roading network in general<sup>13</sup>.

Note, however, that even a vastly improved transport network is unlikely to lead to a great shift of educational providers to the suburbs or the city outskirts. Resource consents are more problematic than in the CBD and, as mentioned above, most international students prefer residing in the city than in quiet suburbs. In addition, the transport issue should not be over-emphasised. As discussed previously, other issues such as capacity constraints at universities and perceptions of quality are more important.

## **Leisure facilities**

The CBD contains many of the city's leisure facilities, or at least those that tend to appeal to foreign students. Prominent amongst these are shops, restaurants, internet cafes, karaoke bars, amusement arcades and Sky City (not only the casino).

There is also an apparent preponderance of 'hanging out' in the CBD although we suspect that much of this is simply students gathering in public and semi-public places (such as lobbies) between and after classes. As discussed in the section on premises, many language schools and other PTEs lack space for socialising or, where space is provided it lacks ambience and is too close to staff. Like domestic students, foreign students prefer socialising away from their institution. The public tertiary institutions are better in this regard, with the

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<sup>13</sup> This point also emerged as the prime infrastructural issue facing Auckland business in a recent study undertaken by Infometrics for the Growth and Innovation Advisory Board. See <http://www.morst.govt.nz/?Channel=infrastructure&page=infrastructure>

University of Auckland opening an international students' centre for example. However it is unlikely that the pressure on public facilities will abate any time soon.

It is not unreasonable for foreign students to use the same leisure facilities that the rest of Auckland's population uses. With obvious exceptions such as libraries and parks, most are provided by the private sector and relate to activities which are well established and subject to long-standing, albeit evolving regulations. Examples include restaurants, theatres and gaming establishments. For these providers foreign students are just another component of customer demand. The nature of the product mix may change, but this generally does not require the council to design and implement new regulations.

In contrast the use of inner city commercial buildings for education is still relatively new and as discussed in section 4, many are not designed to accommodate large numbers of students socialising before, between and after classes. This sort of activity is a mixture of leisure and education, with no party having overall responsibility for how it is managed. There are opportunities for the educational institutions and providers of leisure services to make these semi-public places more pleasant by, for example, merging them with cafes and retail activity, but it may need encouragement or enabling legislation by the council.

This may involve specifying minimum sizes for foyer or lobby type spaces commensurate with the likely number of students. We do not imply, however, that solutions will necessarily be prescriptive. Just specifying minimum lobby sizes, for example, would raise costs to educational providers or building owners that they might or might not recover via increased tenancy rates. But if the council simultaneously made it easier for retail and commercial activities to co-locate so that, for example, a coffee provider can set up in a language school foyer, the end result may be more beneficial to all parties.

To put this more generally; the council should ensure that if it passes new regulations (or enforces existing ones) with respect to building uses and occupation, it makes complementary provision for the consequential clustering of students in public places that such regulations are likely to induce.

## 6. SOCIAL AND SECURITY ISSUES

The clustering of students in certain parts of the city and CBD is not just an infrastructural issue. It has significant social and security dimensions. Limited security and large numbers of people congregating in small areas increase the probability of students being exposed to intimidation and possibly extortion. Certain venues are well known to the Auckland Police as 'hot spots.'

To some extent students come to New Zealand in the expectation that it is a safe place and so are less wary than they might be in their home country. Thus they are more likely to be victims of crime which, together with a distrust of the police amongst certain ethnic groups, raises both the level of crime and the difficulty of dealing with it. Added to the pressure on police are language barriers, 3-4 deportations per week – with each requiring an escort, and the task of chasing witnesses who are not keen to cooperate and frequently leave the area. The police budget has not kept pace with the rapid growth in the number of foreign fee-paying students.

Police also note that many of the perpetrators of crime have poor attendance records, suggesting that the educational institutions and NZIS are not enforcing attendance requirements.

Recent improvements in car park security – a joint Auckland City-police initiative – has been successful in reducing crime in some particular hot spots. There may be other opportunities for such collaboration.

While police actions can help to reduce the incidence of crime, most of their resources are directed at dealing with the effects of crime. Reducing the incidence of crime involves addressing cultural differences, attitudes and ignorance, which is where pastoral care has a major role. Various parties with whom we spoke advocated that educational institutions (or home care organisations) should provide more information on how to reduce personal risk and about the role of the police. This could involve organising talks by police and the issuance of cards which contain students' personal details in case they become lost or need to seek urgent assistance. Some providers also have agreements with parents to limit the amount of cash or access to credit made available to students. As noted in section 2, one educational provider insists on students doing defensive driving courses before they can own a car.

It is in the interests of all parties to lower the crime associated with foreign students and improve their personal safety. As discussed earlier, safety is a crucial component of the New Zealand educational experience. Negative publicity can reach students' home countries very quickly and the more sensitive markets can easily impede the flow of students to New Zealand. A change in media emphasis towards the many economic benefits that export education delivers is required. It would also have positive domestic feedback, helping to

change people's attitudes so that foreign students are not seen negatively by local communities .

## 7. RECOMMENDATIONS

As the study progressed a number of issues arose that seem amenable to amelioration, if not solution by the various parties involved in the export education industry. We list these below in no particular order, except for classifying them by the organisation that we consider is best able to attend to each issue.

### **Local Government**

Top priority attaches to undertaking a substantive survey of foreign student expenditure in Auckland. In fact this should be done nation-wide. To our knowledge no comprehensive and reliable survey of foreign student expenditure has been undertaken in the last five years. Even in our report on the industry in 2000<sup>14</sup> we had to use data assembled from a wide range of sources that had different objectives and were of varying scope and quality.

Such a survey is by no means the sole responsibility of Auckland City. The industry itself and, if the survey is nation-wide, central government should also contribute to the cost.

Related to this is the need to gain a better understanding of what foreign students do and would like to do in their leisure time. Again a survey would be useful in this regard.

There is a potential threat associated with apartments being built in Auckland's CBD. The council should ensure that apartments are of reasonable size and durability.

The council may also have some role in encouraging education providers to build high quality buildings and preserve older character buildings that enhance the City's environment.

The intensive use of some commercial buildings and public spaces by students for socialising before, between and after classes has not been well managed. There are opportunities for the educational institutions and providers of leisure services to make these places more pleasant by, for example, merging them with cafes and retail activity, but it may need encouragement by the council.

To put this more generally; the council should ensure that if it passes new regulations (or enforces existing ones) with respect to building uses and occupation, it makes complementary provision for the consequential clustering of students in public places that such regulations are likely to induce.

If Auckland City believes that export education is too concentrated in the CBD – in terms of both residency and premises, it needs to work with the Auckland Regional Council to renegotiate agreements on routes and timetables with public transport providers. Better public transport would reach well beyond the city's export education industry.

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<sup>14</sup> Infometrics (2000) *op cit*

## **Central Government**

Although the role of central government in the export education industry has come under criticism lately, our overall impression is that (even allowing for the Code of Practice) regulation is relatively light-handed and that so far this has worked reasonably well. We recommend that this approach continues.

We certainly do not see a case for a more heavy-handed approach. For example we would not advocate the imposition of arbitrary quantitative limits on FFP numbers.

In our view the New Zealand Immigration Service needs to show greater consistency in its decisions on applications to study in New Zealand.

## **Private Sector**

The media has tended to focus on negative events and in an industry such as export education which is characterised by rapid growth, the mixing of cultures, and communication problems, negative events are inevitable. More balanced reporting that includes the many benefits that foreign fee-paying students bring to the economy would help to enhance New Zealand's prospects as a destination for international education.

The performance and quality of homestay agencies in Auckland have potential ramifications for the reputation of foreign education providers. The industry would benefit from some form of voluntary association to maintain quality standards. The council might facilitate the establishment of such an association.

Education providers should continue with their strategies of reducing risk – diversifying markets, providing new services, addressing quality issues and so on – if growth in export education earnings is to continue at 10 per cent (or more) per annum. Overall we were impressed with the risk reduction strategies that are being pursued by the industry.

## Economic Impact Methodology

### Concepts

Each dollar spent on the output of one industry leads to output increases in other industries. For example for a university to deliver education services to a foreign student it requires inputs of books, energy, communication services and so on. Part of the tuition fee is used to cover the cost of these items. Another part covers the cost of the buildings and equipment (spread over their useful lives) and there is a large portion for staff wages and salaries. The supplying industries such as energy require inputs themselves, pay wages and salaries and so on.

The effect on these supplying industries is known as the upstream or indirect production effect and is commonly measured by a number called a multiplier which is defined as the ratio of the direct plus indirect effect, to the direct effect.

The effect brought about by the initial payment of wages and salaries is generally known as the downstream or induced consumption effect, as wages and salaries are used to purchase household consumption goods. Their production and sale requires inputs from other industries and so on as before. Again the effect may be measured by a multiplier. The total multiplier is defined as the direct, plus indirect production, plus induced consumption effects, divided by the direct effect.

However, multipliers need to be cautiously interpreted and carefully applied. When applied to gross output they lead to double counting. For example the value of food and drink supplied at a restaurant is counted as part of the gross output of both the Food and Beverage industry and the Restaurant industry. If one's aim is to measure overall business activity this double counting may be useful, but from the perspective of economic contribution it is value-added which is of interest.

### Link to National Accounts

At this point one needs to be mindful of the definition of value-added and of the income-expenditure identity in the national accounts. If a foreign student spends \$100 in Auckland, that \$100 is part of exports which is a component of final demand - the expenditure side of Gross Domestic Product (GDP). In this sense it represents 100 per cent value-added, as value-added is synonymous with contribution to GDP. On the income side, however, only the part which is not spent on inputs from other industries is counted as direct value added. The rest is progressively spent and re-spent upstream and, apart from the cost of imports (whether from elsewhere in New Zealand or the world) is eventually entirely exhausted on

inputs of labour and capital; that is value-added. Thus the multiplier for the indirect upstream effects is just the process whereby the expenditure and income sides of the national accounts remain in balance. No additional value-added<sup>15</sup> is created from this effect. All that we gain is knowledge about how the initial expenditure shock ripples through the various supplying industries.

The more powerful effect is that of the induced consumption multiplier. The initial wage and salary payments and the subsequent wage and salary payments lead to an increase in private consumption; another component of final demand. This generates flow-on effects in an analogous manner to the original increase in exports and therefore does generate an additional gain in GDP. This gain may be legitimately attributed to the increase in exports, provided that resources have not been diverted from other productive uses. If they have, it is necessary to deduct the direct, indirect and induced effects of those resources in their alternative uses.

Multipliers for the indirect production effect are easily calculated from standard input-output tables produced by Statistics New Zealand. Thus for a given increment to final demand (exports, consumption etc), we can determine the direct and indirect pattern of production needed to support that increment to final demand.

Consumption induced multipliers are more complicated to determine. They are still based on input-output tables, but they require some assumptions about the links between the Production Account and the Income & Outlay Account in the national accounts. In particular a link between private consumption (mostly household spending) and income from wages and profits needs to be established. Typically this is accomplished by treating inputs of labour as an intermediate input and then treating private consumption as the industry which produces labour. Enhancements to this approach include allowing for the distribution of operating surplus to households and for the leakage of household savings. This is the essence of the input-output table approach used by Butcher Partners (whose results we use below) to calculate the indirect production and induced consumption multipliers.<sup>16</sup>

Other enhancements are possible:

- ❖ allowing for income leakages via taxes and for consumption injections via income from welfare benefits;
- ❖ including the effect of government consumption, much of which, such as health, is actually consumed by individuals and paid for out of taxes;
- ❖ including the effect of new investment which may be needed to expand output and may be financed out of operating surplus;

Accounting for all of these effects requires the use of a multi-industry general equilibrium model, which is beyond the ambit of the current project.

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<sup>15</sup> In fact value added also includes some forms of indirect taxation.

<sup>16</sup> Personal communication with Geoff Butcher in relation to compilation of economic multipliers.

It is common for multipliers which cover the indirect production effects to be labelled as Type I multipliers whilst those which also include the induced consumption effects to be labelled Type II multipliers. Each type of multiplier is usually calculated for three different measures of economic activity:

- ❖ gross output
- ❖ value added
- ❖ employment

## **Economic Impacts of Export Education in Auckland**

Multipliers have been derived for foreign education services by weighting individual industry multipliers by the estimated composition of expenditure by foreign students. Essentially this corresponds to deriving a synthetic industry - Export Education - one which is not actually defined in the national accounts, but which represents an amalgamation of a collection of different industries such as education, restaurants, leisure etc.

Tables 1 and 2 show the estimated economic effects for the Auckland region and city of export education in terms of three key indicator variables; gross output, employment and value-added.

Export education is by definition an export; it is ultimately supported by expenditure by foreigners. Thus it is not reliant on domestic expenditure being diverted from elsewhere to support, in contrast to say the staging of a rugby match. For this reason the cells in Tables 1 and 2 labelled "adjusted for trade diversion" contain the base values without adjustment. In other words, export education causes no trade diversion; it is entirely trade creating.

The number of foreign fee-paying students in the Auckland region for year ended 30 June 2002 is estimated to be about 44,600 with 36,300 studying at locations in Auckland city. Note that this number is not measured on a full time equivalent basis. This maintains consistency with the spending figures which are on a per person basis.

Total direct spending by these students is estimated to amount to \$650m and \$490m respectively. Taking into account the indirect and induced multiplier effects raises the spending to \$1290 and \$930m respectively.

As noted above, however, spending involves an element of double counting. In terms of value-added or contribution to regional and city GDP the amounts are \$700m and \$500m respectively. A word of caution is in order here; it is assumed that students who attend educational institutions in the city also live and spend in the city. Clearly this is a simplification as some spending by city students occurs in the more widely defined Auckland region, although the reverse situation will also be true. The net effect is unknown so the estimates of city-specific effects will always be approximate.

In terms of employment, export education directly generates 6,400 full time equivalent jobs in the Auckland region of which 4,700 are in the city. Adding the indirect and induced effects raises these estimates to 12,800 and 8,900 respectively.

**Table 1**  
**Economic Impact of Export Education in Auckland Region**

|   |       | Primary &<br>Secondary | Public<br>Tertiary | PTE  | ELS   | Total |
|---|-------|------------------------|--------------------|------|-------|-------|
|   |       | A                      | B                  | C    | D     |       |
| <b>Base Economic Values</b>   |       |                        |                    |      |       |       |
| Tuition costs   |       | 9925                   | 14763              | 6800 | 3659  |       |
| Living costs  |       | 12591                  | 12378              | 6542 | 3973  |       |
| Number of students  |       | 8577                   | 8263               | 3528 | 24246 | 44614 |
| 1 Gross Output  | (\$m) | 193                    | 224                | 47   | 185   | 650   |
| 2 Employment  | (FTE) | 2346                   | 2028               | 472  | 1595  | 6440  |
| 3 Value Added   | (\$m) | 110                    | 126                | 29   | 100   | 365   |
| <b>Adjusted for Trade Diversion</b>   |       |                        |                    |      |       |       |
| 4 Gross Output  | (\$m) | 193                    | 224                | 47   | 185   | 650   |
| 5 Employment  | (FTE) | 2346                   | 2028               | 472  | 1595  | 6440  |
| 6 Value Added   | (\$m) | 110                    | 126                | 29   | 100   | 365   |
| <b>Multipliers - Type IB</b>  |       |                        |                    |      |       |       |
| 7 Gross Output  |       | 1.45                   | 1.50               | 1.47 | 1.51  | 1.49  |
| 8 Employment  |       | 1.58                   | 1.57               | 1.46 | 1.62  | 1.58  |
| 9 Value Added   |       | 1.47                   | 1.47               | 1.40 | 1.51  | 1.48  |
| <b>Multipliers - Type II</b>  |       |                        |                    |      |       |       |
| 10 Gross Output   |       | 1.94                   | 2.01               | 2.04 | 2.00  | 1.99  |
| 11 Employment   |       | 1.96                   | 2.01               | 1.87 | 2.06  | 1.99  |
| 12 Value Added  |       | 1.89                   | 1.91               | 1.84 | 1.94  | 1.90  |
| <b>Total Activity by Type IB Multipliers</b>  |       |                        |                    |      |       |       |
| 13 Gross Output   | (\$m) | 280                    | 336                | 69   | 280   | 965   |
| 14 Employment   | (FTE) | 3702                   | 3191               | 689  | 2588  | 10171 |
| 15 Value Added  | (\$m) | 163                    | 185                | 40   | 150   | 538   |
| <b>Total Activity by Type II Multipliers</b>  |       |                        |                    |      |       |       |
| 16 Gross Output   | (\$m) | 375                    | 451                | 96   | 370   | 1293  |
| 17 Employment   | (FTE) | 4602                   | 4069               | 883  | 3293  | 12847 |
| 18 Value Added  | (\$m) | 208                    | 240                | 53   | 193   | 695   |
| <b>Notes</b>  |       |                        |                    |      |       |       |
| i In the absence of better information, the composition of living cost is assumed to be identical across all four student categories. |       |                        |                    |      |       |       |
| ii Indirect taxes and direct imports have been subtracted   |       |                        |                    |      |       |       |

Source: Ministry of Education, Statistics New Zealand and Infometrics' estimates.

**Table 2****Economic Impact of Export Education in Auckland City**

|   |                    | Primary &<br>Secondary | Public<br>Tertiary | PTE  | ELS   | Total |
|---|--------------------|------------------------|--------------------|------|-------|-------|
|   |                    | A                      | B                  | C    | D     |       |
| <b>Base Economic Values</b>   |                    |                        |                    |      |       |       |
|   | Tuition costs      | 9925                   | 14763              | 6800 | 3659  |       |
|   | Living costs       | 12591                  | 12378              | 6542 | 3973  |       |
|   | Number of students | 3897                   | 7156               | 3002 | 22246 | 36301 |
| 1   | Gross Output (\$m) | 88                     | 194                | 40   | 170   | 492   |
| 2   | Employment (FTE)   | 1066                   | 1758               | 401  | 1465  | 4690  |
| 3   | Value Added (\$m)  | 50                     | 108                | 24   | 91    | 274   |
| <b>Adjusted for Trade Diversion</b>   |                    |                        |                    |      |       |       |
| 4   | Gross Output (\$m) | 88                     | 194                | 40   | 170   | 492   |
| 5   | Employment (FTE)   | 1066                   | 1758               | 401  | 1465  | 4690  |
| 6   | Value Added (\$m)  | 50                     | 108                | 24   | 91    | 274   |
| <b>Multipliers - Type IB</b>  |                    |                        |                    |      |       |       |
| 7   | Gross Output       | 1.41                   | 1.45               | 1.42 | 1.46  | 1.44  |
| 8   | Employment         | 1.52                   | 1.51               | 1.41 | 1.56  | 1.52  |
| 9   | Value Added        | 1.43                   | 1.43               | 1.36 | 1.46  | 1.43  |
| <b>Multipliers - Type II</b>  |                    |                        |                    |      |       |       |
| 10  | Gross Output       | 1.86                   | 1.91               | 1.94 | 1.90  | 1.90  |
| 11  | Employment         | 1.86                   | 1.90               | 1.78 | 1.95  | 1.89  |
| 12  | Value Added        | 1.80                   | 1.82               | 1.76 | 1.84  | 1.82  |
| <b>Total Activity by Type IB Multipliers</b>  |                    |                        |                    |      |       |       |
| 13  | Gross Output (\$m) | 124                    | 281                | 57   | 248   | 709   |
| 14  | Employment (FTE)   | 1620                   | 2657               | 566  | 2279  | 7122  |
| 15  | Value Added (\$m)  | 71                     | 155                | 33   | 133   | 392   |
| <b>Total Activity by Type II Multipliers</b>  |                    |                        |                    |      |       |       |
| 16  | Gross Output (\$m) | 163                    | 371                | 78   | 323   | 934   |
| 17  | Employment (FTE)   | 1981                   | 3336               | 715  | 2855  | 8886  |
| 18  | Value Added (\$m)  | 90                     | 197                | 43   | 168   | 498   |
| <b>Notes</b>  |                    |                        |                    |      |       |       |
| i In the absence of better information, the composition of living cost is assumed to be identical across all four student categories. |                    |                        |                    |      |       |       |
| ii Indirect taxes and direct imports have been subtracted   |                    |                        |                    |      |       |       |

Source: Ministry of Education, Statistics New Zealand and Infometrics' estimates.

## **Interview Guide**

### **Educational institutions**

Roll (EFTS). Recent and expected growth, especially in the context of SARS

Exposure to adverse shocks (whether foreign sourced such as SARS or domestically sourced)

Strategies to reduce risk (eg market segment, marketing, overseas location, pastoral care, pricing)

Overseas perception of education in NZ versus Australia, Canada, UK and USA.

Quality control

Reason for studying English in NZ – to attend NZ university, obtain immigration points etc

Relevance of Govt, NZTE, Education NZ, NZIEMN, Study Auckland

School accommodation issues – at establishment, currently, location, quality, cost

Student accommodation issues – who arranges, location, prejudice, quality, cost

What do students do outside school hours?

Do any find work (even though most are not supposed to)

Are there activities organised by the school (as part of pastoral care)?

### **Premises (suppliers and estate agents)**

Has export education filled empty buildings – both for school accommodation and student accommodation?

Is there still suitable vacant space – where?

Are there impediments to the creation of new buildings?

Effect on school zoning and property prices – CBD, other central Auckland, elsewhere

Are purpose built facilities becoming more common?

## **Transport and leisure providers**

Does capacity exist to meet the needs of foreign students?

Are there impediments to the creation of new capacity?

Is the utilisation of capacity adversely affected by capacity constraints elsewhere (eg road congestion preventing ready access to the central library)?

Investment intentions

Home-school travel. Home-leisure travel

## **Student accommodation**

Distribution of students between various types of accommodation, length of stay

Home care – quality, supply sensitivity to price, how many students per residence, proximity to CBD, effect of Code of Practice, prejudice

Hostels, flats etc – quality, space, proximity to educational institutions

## **Miscellaneous**

Police – are there changes in crime attributable to foreign students? Resources? Security

Immigration – are there constraints to the processing of applications and monitoring of foreign students once in the country. How many apply for PR status? visas?

## Appendix C

### Historical and Projected Numbers of Foreign Fee-Paying Students

|                 | 1993 | 1994 | 1995 | 1996 | 1997  | 1998  | 1999  | 2000  | 2001  | 2002    | 2003   | 2004   | 2005   | 2006   | 2007   | 2008   |
|-----------------|------|------|------|------|-------|-------|-------|-------|-------|---------|--------|--------|--------|--------|--------|--------|
| Primary         | 208  | 240  | 360  | 500  | 577   | 490   | 528   | 1006  | 1682  | 3170    |        |        |        |        |        |        |
| Secondary       | 1748 | 2673 | 3618 | 4285 | 4922  | 4275  | 4577  | 6254  | 8870  | 11864   |        |        |        |        |        |        |
| Tertiary public |      | 3199 | 4012 | 5049 | 6228  | 5804  | 6351  | 7961  | 12649 | 20767   |        |        |        |        |        |        |
|                 |      | 6112 | 7990 | 9834 | 11727 | 10569 | 11456 | 15221 | 23201 | 35801 H | 42961  | 51553  | 61864  | 74237  | 89084  | 106901 |
|                 |      |      |      |      |       |       |       |       |       | 35801 M | 39381  | 43319  | 47651  | 52416  | 57658  | 63424  |
|                 |      |      |      |      |       |       |       |       |       | 35801 L | 36517  | 37247  | 37992  | 38752  | 39527  | 40318  |
| PTE             |      |      |      |      | 1282  | 1392  | 1227  | 2010  | 3299  | 4721    |        |        |        |        |        |        |
| ELS             |      |      |      |      |       |       | 15718 | 18054 | 26203 | 47401   |        |        |        |        |        |        |
|                 |      |      |      |      |       |       |       |       |       | 87923 H | 105508 | 126609 | 151931 | 182317 | 218781 | 262537 |
| All students    |      |      |      |      |       |       | 28401 | 35285 | 52703 | 87923 M | 96715  | 106387 | 117026 | 128728 | 141601 | 155761 |
|                 |      |      |      |      |       |       |       |       |       | 87923 L | 89681  | 91475  | 93305  | 95171  | 97074  | 99016  |
|                 |      |      |      |      |       |       |       |       |       | 44614 H | 53537  | 64244  | 77093  | 92512  | 111014 | 133217 |
| Auckland Region |      |      |      |      |       |       | 11595 |       |       | 44614 M | 49075  | 53983  | 59381  | 65319  | 71851  | 79036  |
|                 |      |      |      |      |       |       |       |       |       | 44614 L | 45506  | 46416  | 47345  | 48292  | 49257  | 50243  |

|        |      |
|--------|------|
| High   | 1.20 |
| Medium | 1.10 |
| Low    | 1.02 |

Note that the projections are only trends. Values for 2003 and 2004 in particular, are not forecasts.

