

11 February 2011

REGULATORY IMPACT STATEMENT

CREATION OF A CROWN AGENT FOR INTERNATIONAL EDUCATION

Agency disclosure statement

This Regulatory Impact Statement has been drafted by the Ministry of Education, according to the requirements set out in the Cabinet Guide.

Executive summary

New Zealand's international education sector is a key contributor to the agenda for economic growth, and it has potential to contribute much more both to direct export earnings and to skilled migration and trade development. With the right promotional efforts its value to the economy could more than double to at least \$5 billion over the next fifteen years.

The Crown has a significant interest in the sector due to its ownership/funder relationship to most providers, its \$15.45 million annual investment in international education activities, and the bilateral education relationships with sensitive key markets like China, India, and the Gulf States.

The current structure of Government and sector responsibilities is not appropriate to drive the scale and scope of expansion of international education. At present there are three organisations involved in international education (the Ministry of Education, New Zealand Trade & Enterprise, and the Education New Zealand Trust). There are consequent issues of coordination, focus, accountability, capacity and scale. Addressing these concerns will help to lift sector performance. Once improved structural arrangements are in place a good basis will also exist for an increased scale of investment in promotions.

It is proposed to establish a new Crown Agent and to task it with all Government funded international education promotions and representation functions. Policy and the oversight of student pastoral care will remain with the Ministry of Education.

The option of maintaining the status quo has been considered. No existing organisation, Crown department or Agent could focus satisfactorily on the combined functions of international education promotions, business development and education representation. Notably, assigning responsibility for these functions to New Zealand Trade and Enterprise or Tourism New Zealand would not fit with the statement of intent and priorities for these agencies.

While the creation of a new Agent for international education would not be consistent with the Government's policy on reducing Crown entity numbers, the benefits of a new and focused Agent for this sector would markedly outweigh the costs of establishment. This approach would improve operational economies and resilience through the re-allocation of existing roles and baseline funding from the three organisations currently involved in international education. Notably, establishment as a Crown Agent would enable the new body to have diplomatic accreditation for its important education representation role.

The benefit of the new Agent is expected to be a cohesive and expanded service for education providers, including consultancies, and a more focused and resourced promotions strategy. There are not expected to be any additional compliance costs for education providers as a result of the new Agent. There will be significant implications for the Education New Zealand Trust.

The initial budget for the Agent, to be reallocated from existing baselines, would amount to \$11.45 million for the 2011/12 financial year. The necessary establishment costs would be met from within these baselines, and if necessary with support from reserves in the Export Education Levy Trust Fund maintained by the Ministry of Education. In order to minimise implementation costs and the risk of disruption, there would need to be a reallocation of facilities and functions from existing organisations to the new Agent.

Legislative provision to establish a new Crown Agent for International Education would be made through the Education Amendment Bill (No.4), which is scheduled to be presented to the House in late February 2011. The passage of this Bill would then enable the Agent to be implemented from 1 July 2011.

Background

Over the past fifteen years international education has developed into a valuable export sector. This industry is currently worth at least \$2.1 billion to the New Zealand economy, including growing off-shore consultancy activities¹. There are also significant positive benefits for the tourism and research sectors, and the migration of skilled people to New Zealand.

The Economic Growth Agenda [CAB Min (09) 45/8 refers, dated 17 December 2009] has identified international education as being a sector with significant potential for expansion. After several years of declining student numbers, in 2009 there was a 6% increase in international enrolments to a total of 95,500 students, and a 10% increase in tuition revenues to \$664 million. Further growth occurred during the first eight months of 2010. However, the latest student immigration data indicates that this recent growth could already be levelling off.

An effective and focused agency structure to ensure co-operation across all parts of the sector is needed to sustain the recent gains in student enrolments, and to support further business development (for example, in the export of education intellectual property). With the right promotional strategy and commercialisation activities the real economic value of international education could grow to at least \$5 billion over the next fifteen years.

International students are a key source of revenue for our tertiary education institutions, and can enhance their global connections to alumni and overseas universities. International education also has an important role to play in New Zealand's relationships with the growing powers of China and India, and the expanding nations of the Gulf States and South East Asia. Other countries are increasingly active in attracting more international students to their institutions, as the global recession has intensified pressures on budgets for higher education.

¹ An economic estimate prepared by Infometrics in June 2008, based on fees data, a survey of the expenditures of international students, and interviews with education consultancies.

New Zealand's closest competitor, Australia, is known to invest at least NZ\$75 million annually in Commonwealth Government support for international education programmes. There is consequently a significant risk that, without a step-change in promotions and business development, the New Zealand sector will not be able to attain its potential for significant growth. A similar rationale has underpinned increased Government support for the tourism industry.

The role of Government

A key issue is how the Government intends to best support ambitions for growth of the international education sector. Significant funding is currently provided to support development activities, from the Crown and the Export Education Levy. Current budgets for international education programmes and functions (excluding student component subsidies for international PhD students) will amount to \$15.45 million in 2010/11.

The main international education functions are currently shared between three different bodies: the Ministry of Education, New Zealand Trade and Enterprise, and Education New Zealand. The latter is a small charitable trust established by the sector and largely funded by a contract with the Ministry of Education, through specific programmes and the Export Education Levy. The annex to this paper sets out diagrams showing the current structure of organisational relationships, and a proposed change to a new structure.

A key activity supporting the growth of the sector is the undertaking of strategic promotions to attract interest from international students. There is a substantial association between the promotional campaigns undertaken in key depth markets for international students, and subsequent increases in enrolments. This has been particularly evident in the case of India over the past three years. Similarly, recent rapid increases in students from Saudi Arabia followed the establishment of an official education relationship, which permitted the allocation of Saudi scholarship recipients to New Zealand institutions.

Another important aspect involved in supporting the international education sector is ensuring that the key education Agent is able to have diplomatic accreditation, through support from the Ministry of Foreign Affairs & Trade. This is crucial in sustaining the credibility of New Zealand's education relationships with the governments of China, India, the Gulf States and nations in South East Asia. These relationships are essential enablers for subsequent commercial linkages, and state approval for student recruitment.

The core functions of undertaking international promotions and education representation rely on Crown investment and direction. However, while greater accountability is desirable, an arms-length relationship is required between the policy set by Ministers and the actual design and implementation of marketing activities. At the same time, there needs to be rapid responsiveness to Ministerial needs for education representation and official support.

Problem definition

The differing roles of the three organisations involved in international education are not best practice for the support of an important and growing industry. The current strategic international promotions effort is also relatively small scale in terms of resourcing (i.e. \$4.45 million annually).

In order to achieve the potential for significant growth in the value of international education, there is a need for a robust and focused entity to reflect the Government's interest in an 'NZ Inc' approach to the governance and support of international education activities. These objectives support reassigning the key functions of international promotions, business development and education representation to a single organisation, and for Ministerial control over Board appointments. This approach would follow the successful model in place to assist the growth of the tourism industry.

Proposal: A new Crown Agent for International Education

The Government's preference is for a Crown Agent, based on amalgamating the current promotions activities carried out by Education New Zealand, the direct marketing predominantly undertaken by New Zealand Trade & Enterprise, and the education representation work carried out by the Ministry of Education.

This proposal is not consistent with policy to rationalise the number of Crown entities. However, economies and operational resilience can be gained by reallocating the existing functions and budgets from the three existing organisations involved in supporting international education. Merging the functions of the existing three organisations into one entity will be expected to result in improved role co-ordination and operational effectiveness, and present opportunities for greater 'NZ Inc' synergies between education, tourism, trade and foreign affairs.

The second annex to this paper provides a matrix of the proposed organisational options according to a set of criteria. A Crown Agent provides a mechanism for greater efficiency by grouping the existing related functions under one umbrella. In addition it represents a stable pathway for the accreditation and management of staff overseas.

The Board of the new Agent would be appointed by Ministerial direction, as per the requirements of the Crown Entities Act 2004. This would allow for the input of commercial advice, intended to drive an enhanced promotions and business development strategy, balanced with Government and sector experience. The Ministry of Education would also have a role in providing advice to the Board, and would act as the agent for the Minister in overseeing the Crown's interests in the Agent.

The benefit of the new Agent is expected to come from more focused and co-ordinated promotions, business development and education diplomacy, contributing to a higher level and tempo of international education activities. These activities will generate increased revenues for education providers, and an enhanced benefit for the wider New Zealand economy.

The Ministry of Education has prepared projections of the potential economic benefit of a step-change in sector performance, over the next fifteen years. The potential expansion for each provider group is summarised in the table below. Setting a specific target for growth in value to more than \$5 billion (in 2008 dollars) could be an explicit expectation of the international education sector and the work of the new Crown Agent.

Table 1: Projected growth in economic value-add from international education

Total value-added by provider group	2008 (\$m)	2025 (\$m)
Schools	\$417	\$568
Universities	\$670	\$1,823
Polytechnics	\$209	\$726
Private providers	\$217	\$392
English language schools	\$491	\$870
Subsidiary providers	n.a.	\$136
Consultancies	\$70	\$505
Total	\$2,074	\$5,020

Functions and establishment

The objectives for the new Agent would be: To promote New Zealand education, training, and services overseas, and manage associated Government representative activities. The functions for the new Agent could be defined as follows:

1. To give effect to the Government's international education strategy in relation to the marketing and promotion of New Zealand education overseas, and the conduct of Government education representative activities
2. To manage an international brand for the promotion of New Zealand education
3. To design and manage promotional activities in overseas countries
4. To provide information, support and assistance (including research) to New Zealand education, training, and service providers with industry coordination and professional development
5. To provide information and advice to New Zealand providers on strategies which promote the internationalisation of curriculum and operations
6. To work with other agencies to support international students in New Zealand, provide information to those students as required, and maintain effective networks with alumni
7. Administer programmes as determined by the Government
8. Carry out any other function in relation to international education, as directed by the Minister.

The new Agent would receive funding through the Export Education Levy² and from Vote Education outputs. This would be administered through an output agreement with the Minister. Part 18A of the Education Act would need to be amended to authorise this use of the Export Education Levy. As a Crown entity, the Agent would be required to table forecast performance (Statements of Intent), as well as actual performance (Annual Reports) to the House. The new Agent would also be required to participate in all Parliamentary scrutiny activities, such as auditing and select committee processes.

Funding and establishment costs

The following table illustrates a prospective budget for the new Crown Agent following the functions outlined above. For 2011/12 it is envisaged that the Crown Agent could have an initial budget, from within existing baselines, of about \$11.45 million.

² The Export Education Levy was introduced in 2003, and is charged to education providers which enrol international students at the rate of 0.45% of their international tuition revenues. The rate of the Levy is set each year by regulations, following approval by Cabinet. Total Levy revenues amounted to \$3.3 million for the 2009/10 year.

Table 2: Crown, Departmental, and Export Education Levy baseline funding available for a Crown Agent for international education	2011/12 \$m
National brand, international promotions, marketing strategies & campaigns. <i>Crown funding</i>	\$3.45
<i>Export Education Levy funding</i>	\$0.99
Management of offshore marketing <i>Departmental funding (New Zealand Trade & Enterprise)</i>	\$0.50
Official education representation to other governments, intelligence provision <i>Departmental funding (Ministry of Education)</i>	\$2.69
International scholarships, Export Education Innovation Programme <i>Crown funding</i>	\$2.55
Market research and professional development <i>Export Education Levy funding</i>	\$0.71
Core grant & programme management <i>Export Education Levy funding</i>	\$0.56
Indicative total budget, excluding GST	\$11.45

The Ministry is preparing a detailed plan for the establishment of the new Agent, assuming an initial operational capability date of 1 July 2011. This plan will cover the costs involved in establishing the new Agent and funding its operations, from within existing baselines.

The State Services Commission has advised recent experience of the costs of establishing a small Crown entity. A key additional cost (up to \$0.25 million annually) will be that of establishing a paid Board, as required by the Crown Entities Act. These costs would be additional to the current allocations for administration of Crown and levy-funded programmes. The combined annual funding for international education activities would be used to meet the necessary operating and programme costs for the new Agent.

There is likely to be potential for the back-office costs of the new Agent to be shared with the Ministry of Education, including human resources management and information technology services. Administrative cost-saving options are to be identified in the current review of support functions across all departments. A possible reallocation of the existing facilities of the Education New Zealand Trust (including websites, marketing materials, and expert staff) would greatly reduce the necessary establishment costs for the new Agent.

The Ministry of Education would maintain its existing functions of policy development and regulatory administration of the Code of Practice for the Pastoral Care of International Students, as it would not be efficient for these to be re-assigned. The establishment of the new Agent will split the operational role of education representation from the policy function of the Ministry of Education. The necessary oversight of the Agent's performance will be managed as part of the Ministry of Education's monitoring of all Crown education entities.

Resilience

The new Crown Agent would benefit from the economies to be gained by rationalising the roles of the three organisations currently involved in supporting international education. In particular, the replacement of the current operations of the small Education New Zealand Trust, by a larger and better-funded Crown Agent,

would materially improve the administrative resilience of undertaking international education functions.

The on-going capability and financial viability of a new Crown Agent for international education will be based on the willingness of the Government to fund promotions and education representation activities, through Vote Education and the Export Education Levy. These programmes have been in place since the 2004/05 financial year, and a sustained increase in promotions funding was announced in the 2010 Budget.

Links with NZ Inc

A longer term positive implication of establishing the new Agent is that the importance of supporting international education will be cemented in the operations of 'NZ Inc', rather than relying on the current approach of ad-hoc activities planned for particular events (for example, the successful joint effort at the Shanghai Expo).

The Agent will need to have a close working relationship with the new Auckland Council. This is because over half of all international students enrol with Auckland providers, and the city has a powerful potential to attract many more. The new Chief Executive of the Council has identified education as a key industry for Auckland's future growth.

In its offshore marketing and representation roles, the new Agent would be required to work in concert with the Ministry of Foreign Affairs and Trade, Immigration New Zealand, Tourism New Zealand, and New Zealand Trade and Enterprise. The Head of Mission will continue to co-ordinate the activities of all staff who work from posts. The statement of intent for the new Agent will ascribe the roles of education representation, and state a requirement to work closely with the Ministry of Education and the Ministry of Foreign Affairs and Trade. The scope for Ministerial direction for particular education representation work would need to continue.

New Zealand Trade and Enterprise would maintain its current commercial advisory role with the largest education consultancies (e.g. Cognition, Auckland Uniservices, Academic Colleges Group, Polytechnics International), depending on demand. The new Agent would be expected to develop sector and business development plans for the many other providers which are active in international education.

Alternatives considered

Status quo

An alternative is to maintain the current situation of having three organisations involved in supporting international education, with the promotions function operated by the Education New Zealand Trust. This option has been rejected on the grounds that the current structure is not suitable to encourage a step-change in sector growth, due to the confusion of roles and limited capabilities. Reallocating the core functions to the Education New Zealand Trust would not be appropriate because the Government cannot appoint the board members, and diplomatic accreditation cannot be extended to a trust or company structure.

A number of existing Government education and economic organisations were considered as possible locations for the range of international education functions.

Education agencies

In assessing the capabilities of current education Crown entities, two essential requirements would be an existing capability and experience in successfully devising and managing commercial activities (marketing and promotions), as well as extensive experience in managing activities and relations with foreign Governments, conducting negotiations in an official capacity, and managing a network of off-shore personnel operating in a diplomatic environment.

In light of these requirements, it is apparent that none of the current education agencies have the necessary configuration and capabilities to perform the full set of international education functions. In particular, government education entities do not have a demonstrated competency in designing or implementing an international promotions strategy. This commercial function would not be consistent with the core roles and capabilities of departments. Education providers would be likely to react against the credibility of a marketing brand and plan developed by an existing education entity.

Adding these functions to an existing education Crown entity would require:

- the acquisition of new staff with the necessary skills to undertake new functions (at board, management, and operational level)
- amendments to the Education Act altering the organisation's functions and purpose
- a redraft of the statement of intent
- changes to any output agreement in place.

Economic agencies

With regard to the economic Crown Agencies (New Zealand Trade and Enterprise, Tourism New Zealand) the capability does exist within them to undertake commercial promotion functions, manage activities with foreign Governments, and operate a network of personnel off-shore. While these agencies are capable of carrying out the necessary functions, the international education sector would be unlikely to be best served by either entity. Tourism New Zealand serves a larger and diverse industry and has an explicit focus on tourism, while New Zealand Trade and Enterprise supports the entire export sector.

Incorporating international education activities into either of these agencies would likely produce some efficiency gains. However, the main internal rationale for doing this would be cost savings and not sector growth. There is a strong risk that incorporating international education into these agencies alongside other high priority industries, may result in less emphasis on the sector and greater fragmentation in terms of the overall Government approach. Notably, neither entity carries out representational work on behalf of the New Zealand government in relation to legislative or policy requirements with foreign governments.

An option of establishing a separate unit within Tourism New Zealand to handle international education issues has been considered. This would have a merit of locating the necessary functions in a larger entity, with likely administrative savings and greater operational resilience.

However, international education would be unlikely to be a priority activity for Tourism New Zealand. This is due to the great disparities in the respective promotions

budgets³, the different marketing approaches used in the two industries, and the agency's inexperience in dealing with the education sector and associated issues with other governments. It is also unlikely that education providers would view this as a credible approach, given the past lack of involvement by Tourism New Zealand in working with the international education sector. Similarly, there could be a significant risk of a reaction by tourism businesses against a perceived dilution of the successful focus of Tourism New Zealand.

The broader contribution of international education to long-term economic development (for example, through encouraging research links and skilled migration) is markedly different to the necessarily shorter-term focus of tourism marketing. These important aspects of international education would not be a good "fit", organisationally or culturally, with the role of Tourism New Zealand.

In recent years New Zealand Trade & Enterprise has moved away from supporting the international education sector, shown through its transfer of responsibility for offshore education marketing to the Education New Zealand Trust. This is consistent with the organisation's statement of intent and focus on assisting larger businesses. A rationale for this shift has been that the international education sector is dominated by public sector providers (universities, polytechnics, and schools) and most providers operate on a small scale. Consequently, education support does not generally meet the priority criteria for assistance to significant individual businesses.

Risk management

There are unlikely to be any risks of additional compliance costs for education providers, resulting from the establishment of a new Crown Agent. This is because the existing regulatory requirements of the Export Education Levy and the Code of Practice would remain unchanged.

The establishment of a new Crown Agent would have significant implications for the Education New Zealand Trust, as its existing funding contract with the Ministry of Education would not be renewed for 2011/12. Formal consultation with Education New Zealand and the key provider groups active in international education⁴ was undertaken prior to the presentation of the Education Amendment Bill (No. 4) to Parliament.

A key risk was that the Board of the Education New Zealand Trust might refuse to reallocate its intellectual property and facilities, including the existing national brand for international education, to the new Agent. This risk was managed through high-level discussions between the Ministry of Education and Education New Zealand.

Some providers active in the international education sector might refuse to participate in the promotional and development activities to be led by the new Agent. This is a small risk because the enhanced roles and credibility of the Agent are likely to be attractive to education providers, by comparison with the existing limited arrangements.

³ 2010/11 budgets for international promotions: Education - \$4.45 million. Tourism - \$93.9 million.

⁴ These include: Universities New Zealand, English New Zealand, New Zealand Association of Private Education Providers, NZITP, Metro Institutes of Technology and Polytechnics, New Zealand School Trustees Association, Independent Tertiary Institutions, and the Association of Proprietors of Integrated Schools.

A possible implementation risk may involve attracting suitable nominees for the Board of the new Agent. The large number of successful providers active in international education indicates that identifying talented people should not be a significant problem. A longer term concern would be that the Board of the new Agent may take an excessively independent line in interpreting its role and functions, which might limit its future usefulness as part of 'NZ Inc'. This risk is common to all Crown entities with governing boards, and will require ongoing assessment as part of decisions on Agent strategy and Board appointments.

Legislative implications

The Education Amendment Bill (No. 4) will serve as the vehicle to establish a new Crown entity, and to outline any requirements that are outside the generic governance and accountability provisions of the Crown Entities Act 2004. This Bill currently has a category four priority and is scheduled to be introduced into the House in early 2011. The approval of this Bill will enable the new Agent to be established by 1 July 2011.

Monitoring and evaluation arrangements

The Ministry of Education will be responsible for assessing the performance of the new Agent, as it does for other education entities (such as the New Zealand Qualifications Authority and the Tertiary Education Commission). An operational review of the implementation of the new Agent, and any apparent disruption costs and efficiency benefits, would be carried out by the Ministry one year after the new Agent has started operations on 1 July 2011.

Evaluation of its promotions & marketing performance could be based on:

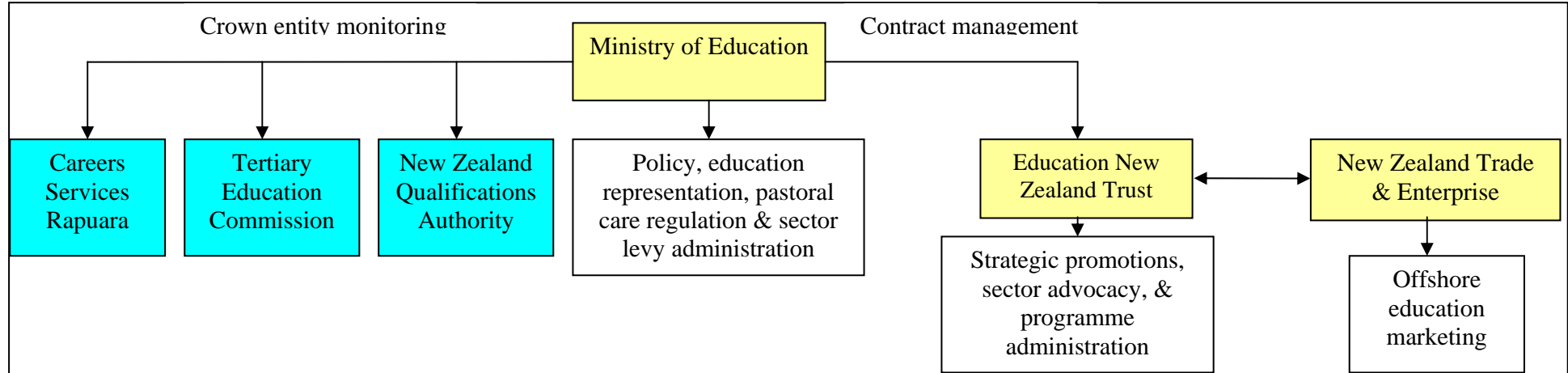
- Trends in applications for student visas and permits
- Trends in actual enrolments of international students
- Growth in the value of international education consultancies and the sale of education intellectual property
- Feedback from education agents, and reputable experts, on the profile and reputation of New Zealand education in key source markets
- Feedback from relevant agency staff on their experiences of the transition, and subsequent operational costs/benefits.

Evaluation of its representation performance could be based on:

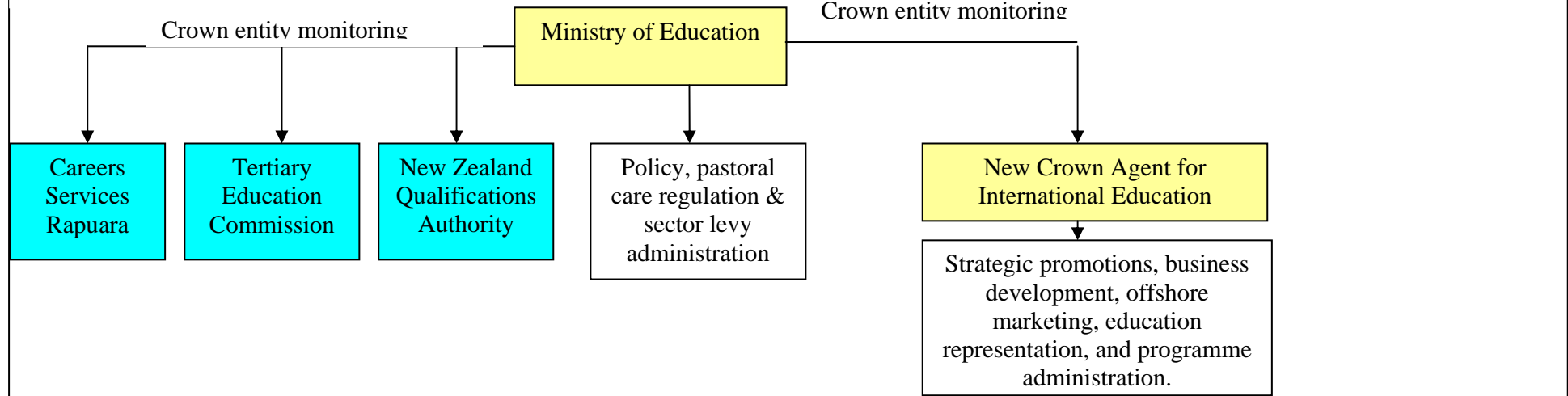
- Feedback from the Ministry of Foreign Affairs and Trade
- Feedback from key education providers (e.g. universities and consultancies)
- Ministerial comments on support for offshore missions
- Comments from local embassies on support for visiting delegations.

Annex 1: Structure of support for international education: Current and proposed organisational configurations
NB: Yellow shaded areas indicate direct support for international education

Current structure for 2010/11



Proposed structure for 2011/12



**Annex 2:
Matrix of organisational options for the governance of international education**

The Ministry of Education has assessed options for restructuring the governance of international education promotions and representation. This analysis initially included assigning the relevant roles to a Government department (such as the Ministry of Education), but this was not progressed as the important function of undertaking international promotions and marketing is not a core competence of departments, and there would also be issues of gaining sector support for this approach.

Other options discussed included assignment to an existing Crown agent, such as New Zealand Trade and Enterprise or Tourism New Zealand. These options were rejected due to issues of coherence with the current roles and priorities of these agencies. The analysis of the remaining options is summarised below according to their respective merits against four key decision criteria:

- *Strong and effective governance* – the Government’s ability to shape the terms of reference of the organisation and ability to appoint board members, and accountability of the entity for use of Crown funding
- *Ease of implementation* – including any necessary legislative process or Cabinet approval; likely disruption costs; transfer of current staff and acceptability to the international education sector
- *Clarity of focus on promotions/marketing activities* – avoiding role confusion with the other functions of international education
- *Effectiveness and efficiency of offshore operations* – whether the new entity’s marketing staff could work in an effective ‘NZ Inc’ role offshore.

Option A offers the best compromise across all criteria – balanced Crown governance, markedly increased accountability compared to current arrangements, and increased reporting requirements (under both the Companies and Public Finance Act). It is not as easy to implement as the other options, but is expected to offer a greater likelihood of establishing a governance and business structure that is more tightly focused on the objectives of promotions and marketing.

Table 3: Relative assessment criteria for an international education entity	a) Crown entity/ statutory body	b) Company with mixed government/ sector shareholding	c) Industry-owned Company with renegotiated contract	d) Charitable Trust with renegotiated contract (i.e. status quo)
1. Strong & effective governance	High	High	Medium/Low	Medium/Low
2. Ease of implementation	Low	Medium	High	High
3. Clarity of focus on promotions	High	High	High/Medium	Medium
4. Effectiveness and efficiency of representation	High	Low	Low	Low

While each option meets one or more of the criteria, no one option fulfils all of the requirements.

Option A provides a high level of effective Crown governance, clarity, and effective education representation. There is a risk that the sector may be reluctant to transfer ownership of the current brand and other intellectual property. Implementation would require legislative change.

If the organisation were set up as a Statutory Entity, then it would need to be established under its own enabling legislation via the Education Amendment Bill (No. 3) and made subject to the Crown Entities Act 2004. This is currently the case with education entities such as the New Zealand Qualification Authority, and the Tertiary Education Commission.

Option A would have the notable advantage of the new entity having diplomatic accreditation as a representative of the New Zealand Government (similar in status to New Zealand Trade and Enterprise, or Tourism New Zealand).

Options B and C would offer a less complicated implementation path compared to option A (i.e. no new legislation would be required). The use of a company structure should provide an improved focus on promotional and marketing activities, while option B provides for more Crown involvement (compared to options C and D). While a company structure is by no means a guarantee of success it does offer improved governance and Crown involvement as part of the entity's structure. It also establishes a more equitable partnership between the Crown and the sector.

The subsidiary could then have a minority shareholding by the international education sector. To implement this option a constitution would need to be established, outlining that the parent company is not-for-profit and that its purpose is to establish the subsidiary. New legislation would not be required as establishment could be managed through an Order in Council.

A key problem with options B and C is that the company could not have diplomatic accreditation as a representative body of the New Zealand Government. This would be likely to severely limit its credibility with other governments (particularly China, India, the Gulf States, and South East Asia nations), and so could adversely affect the success of promotions and business development activities.

Option C of a wholly sector owned company (and D as follows) offers the highest degree of sector control, but correspondingly governance may be weakened if sector interests demand a Board that is larger and more representative than efficiency and effectiveness might suggest is desirable. The Crown would also have to negotiate any greater input into the governance and promotions activities, compared with current arrangements. In terms of implementation – this would be dependent on the sector but is effectively a company registration process. Any involvement by the Crown or additional Crown reporting requirements would need to be negotiated with the sector.

Option D retains the current charitable trust structure, with ownership vested in the sector. A new supply contract could be negotiated to demand greater accountability from Education New Zealand (for example, a Ministerial appointee to the Board). The Government's ability to influence board composition or appointments would have to be negotiated, as well as any restructure of the organisation.

The sector may decide to establish its own offshore network (building on the current pilot in Thailand) remaining outside the 'NZ Inc' approach. This would be less effective in countries with a more directed government approach to education (China, India, Viet Nam, etc), and would be difficult to integrate with an 'NZ Inc' structure.