

Lincoln University and Telford Rural Polytechnic



New Zealand's specialist land-based University



**Case for Merger
Consultation Document
20 August 2010**

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Executive Summary

Lincoln University and Telford Rural Polytechnic are proposing to merge. They are both tertiary education institutions with a specific focus on land-based education and research.

The fundamental reason for merging Lincoln University and Telford Rural Polytechnic is to protect and improve land-based education delivery and increase student opportunities for access to quality land-based education.

The merger will:

- Maintain and develop land-based capability and capacity;
- Secure better alignment to the expectations of the Tertiary Education Strategy 2010 - 15;
- Better align to industry expectations of fewer specialist providers providing a singular, efficient solution;
- Help secure financial viability for both institutions;
- Satisfy the criteria of expanding research and teaching career opportunities of staff, better meet stakeholder needs, and provide expanded opportunities for students.
- Increase coordination and vertical integration of agricultural education under more clearly defined institutional leadership;
- Increase opportunity for extension and technology / practice transfer;
- Improve academic quality of sub-degree delivery;
- Provide the opportunity to “migrate” over time lower level equivalent full-time students (EFTS) to higher level EFTS, consistent with Tertiary Education Commission (TEC) and government policy.

The merger is also a major component of the “Lincoln University Plus” model, a proposed initiative from Lincoln University to improving capability in land-based industries through strengthened partnerships with AgResearch Limited, (and other Crown Research Institutes [CRIs]), Ngai Tahu, and Massey University and relevant industry partners through the Agriculture and Life Sciences Partnership for Excellence.

A thorough review of the issues, opportunities, and implications of a merger between Telford Rural Polytechnic and Lincoln University was completed. Standalone, collaboration and joint venture options were considered against various criteria. A merger was considered to have the best potential to deliver the best outcomes for students, staff, land-based education delivery and potential synergies for growth and cost savings that could not be as easily realised by the other options. The merger between Lincoln University and Telford Rural Polytechnic also supports the intent of the Tertiary Education Strategy 2010 - 15.

The vertical integration of land-based provision has the support of both Councils and is consistent with the opportunities identified in the Review of Land-based Provision conducted by the TEC.

Introduction

Lincoln University and Telford Rural Polytechnic are proposing to merge. They are both tertiary education institutions with a specific focus on land-based education and research.

Lincoln University and Telford Rural Polytechnic have identified a potential combination opportunity to assist in enhancing land-based educational offerings that are deemed to be of strategic national importance in supporting the land-based economy of New Zealand. The two institutions are seeking to establish an enduring position from which to support and grow capability in the land-based sectors.

The primary reason for this merger is to protect and develop land-based education and vocational training for the benefit of New Zealand. Whilst there are opportunities to achieve improved financial performance from a merger of Lincoln University and Telford Rural Polytechnic, these are secondary to the imperative to protect and develop national capability in the land-based sectors that are critical for New Zealand's export earnings and economic development.

The merged institution will deliver programmes to support the land-based economy from lower level delivery to level 10 on the Qualifications Framework. This will allow students pathways for learning from lower through to higher levels and will also facilitate faster transfer of knowledge and technology from research to lower level programmes and qualifications.

The strategic intent of the merged institution is to shift its portfolio of delivery from lower to higher level qualifications over a phased timeframe. On the effective date of implementation, little or no change in delivery is anticipated, except in the delivery of short awards which will not be offered in 2011. Therefore, it is anticipated that:

- Lincoln University will continue to offer its current portfolio of programmes, and seek to take advantage of the Telford Rural Polytechnic delivery infrastructure to make specialist programmes more widely available;
- The Telford Rural Polytechnic campus will continue to provide a base for on-campus delivery of sub-degree programmes and expects to take a lead role within the merged institution for sub-degree delivery;
- Network of provision relationships will be maintained for both Telford Rural Polytechnic and Lincoln University programmes but will seek to consolidate Canterbury provision at the Lincoln campus, as appropriate;
- Telford Rural Polytechnic's distance delivery via correspondence delivery modes will be maintained and a common model for working with high schools developed;
- The merged institution will seek to leverage the combination of Telford Rural Polytechnic programmes and Lincoln University's international connections and experience to explore substantive off-shore opportunities in areas of specialist delivery. Telford Rural Polytechnic has the expertise to deliver this training.

The vertical integration of land-based provision has the support of both Councils and is consistent with the opportunities identified in the Review of Land-based Provision conducted by the TEC.

Background

Lincoln University

Lincoln University was founded in 1878 as a School of Agriculture and is the third oldest tertiary education institution in New Zealand. As a research-intensive university, Lincoln University has an international reputation in land-based learning and research outcomes relevant to industry needs. The University is situated at Lincoln, Canterbury, approximately 25 minutes from central Christchurch on a campus that includes specialist laboratories and facilities, student accommodation and teaching facilities. In addition it has large and important faculties in Commerce and Environment, Society and Design. The land-based sciences and related disciplinary areas form a significant component of Lincoln University's core business, and differentiate Lincoln University within the university sub-sector.

Lincoln University comprises three academic Faculties, two major research Centres and a Centre for Foundation Studies and English Language.

- The Faculty of Agriculture and Life Sciences is the largest (in terms of full-time equivalent staff [FTES]) and comprises four departments - Agricultural Sciences; Ecology; Soil and Physical Sciences; and Wine, Food and Molecular Biosciences;
- The Faculty of Commerce has departments covering all the main business disciplines - Accounting, Economics and Finance; Business Management, Law and Marketing; and Farm Management and Property;
- The Faculty of Environment, Society and Design has departments in Applied Computing; Environmental Management; and Social Science, Parks, Recreation, Tourism and Sport and also has a School of Landscape Architecture;
- The Bio-Protection Research Centre;
- The Agribusiness and Economics Research Unit;
- The Foundation Studies and English Language Centre offers bridging courses to degree programmes for students without a university entrance qualification.

Lincoln University operates four wholly-owned subsidiary companies, Lincoln Ventures Limited, Lincoln Hospitality Limited, Lincoln University Property Joint Venture 1 Limited and Lincoln University Property Joint Venture 2 Limited.

The University operates seven farm properties for demonstration or research purposes covering dairy, arable and cropping activities, high country runs, and light land research predominantly devoted to intensive pastoral systems and sheep research programmes. The campus also hosts the Biological Husbandry Unit (BHU), which features a diverse range of established model organic agricultural and horticultural systems used for research, demonstration and education.

The majority of Lincoln University students are based on campus, although Lincoln University does have approximately 50 off campus EFTS undertaking Level 5 Diplomas by correspondence and Professional Masters degrees. Sixty-five percent of Lincoln University EFTS are at Degree Level (Level 7) with 20% at Post Graduate Degree Level. Lincoln University EFTS are a combination of government funded domestic and qualifying international students and full fee paying international students.

Telford Rural Polytechnic

Telford Rural Polytechnic is a specialist land-based polytechnic recognised for its applied approach to teaching its core competencies: agriculture; horticulture; apiculture; forestry; equine studies; rural business; rural safety; and, rural fire and rescue, all at sub-degree level. Owing to the specialised nature of their activity base, Telford Rural Polytechnic has a unique role in supporting the rural sector as part of the Tertiary Education Network of Provision. Telford Rural Polytechnic is situated on large scale commercial deer, sheep / beef and dairy farms in South Otago near Balclutha. The farm and some buildings utilised by Telford Rural Polytechnic are owned by the Telford Farm Training Institute (TFTI).

Telford Rural Polytechnic traces its origins to the TFTI set up under the Telford Farm Training Institute Act 1963 to provide training in the management of farm stock, pastures, crops, forestry and farms. From 1965 to 1974 the TFTI fell under the auspices of the Ministry of Agriculture, both for the running of the farm and for curriculum, with the Ministry for Education becoming responsible for providing funding for teaching from 1974.

In 1991 as a result of Government Reforms the Farm Training Institutes changed status. Telford became a Polytechnic with the Farm remaining independent under its own Board reporting to the Minister for Agriculture. Telford Rural Polytechnic does not own the training farm. The 870 hectare mixed farm is operated by the TFTI, a separate charitable entity established by Act of Parliament in 1963 to manage a training farm bequest. TFTI employ staff to operate the farm, which is governed by a separate Board. Telford Rural Polytechnic is situated on 28 hectares leased at a peppercorn rental from TFTI.

Typically Telford Rural Polytechnic courses are part-time or short courses delivered in locations around New Zealand to meet the needs of rural stakeholders, as well as some fulltime residential on campus courses. In 2009 over 90% of Telford Rural Polytechnic's EFTS were delivered at Levels 1-3.

Telford Rural Polytechnic courses fall into four major categories:

- FarmSafe – Delivery of farm safety courses around New Zealand. Delivery of these courses is scheduled to decline with changes in government policy towards short courses, and compliance and safety training courses;
- Other externally delivered courses – Telford Rural Polytechnic delivers a range of courses (predominantly full certificates, and a number of short awards [Note: Short awards will not be offered in 2011]), around New Zealand. These have consistently totalled between 400 and 500 EFTS per annum;
- On campus courses – Telford Rural Polytechnic delivers a range of certificate and diploma courses on campus at Telford. There are approximately 200 EFTS on campus;
- Correspondence courses – Telford Rural Polytechnic offers a range of certificate courses (typically 0.33 to 0.66 EFTS) by correspondence. Telford Rural Polytechnic services approximately 100 EFTS through distance learning.

Relationship between Lincoln University and Telford Rural Polytechnic

Lincoln University and Telford Rural Polytechnic have shared a history of providing education to support agriculture and other land-based industries. Since 2001, the Vice-Chancellor of Lincoln University has nominated a representative to the Telford Rural Polytechnic Council, prior to the most recent change in Council composition. In addition, the Vice-Chancellor nominates a representative on the Telford Farm Board. The first representative was appointed in 1977, when the Farm Board had an education overview as well.

The institutions have shared expertise such as in the development of the Telford Dairy Farm as a demonstration farm with some similarities in approach to those on the Lincoln University Dairy Farm. The requirement for certificate-level education in organic husbandry was identified by the Biological Husbandry Unit Trust that operates the Biological Husbandry Unit on behalf of Lincoln University. Telford Rural Polytechnic had been delivering, and continues to deliver, a Telford Rural Polytechnic Certificate in Organic Horticulture elsewhere in the country, and the availability of the site at Lincoln, through the BHU Trust, provided an opportunity to deliver the programme on the Lincoln University campus. Lincoln University has provided annual scholarships to encourage students completing Telford Rural Polytechnic qualifications to study towards a degree at Lincoln University.

Reason for the Merger

The success of the land-based sectors is built on protecting and adding value to New Zealand's natural and biological resources. These resources, along with a history of innovation and application of technology within the primary sector, are at the heart of New Zealand's comparative and competitive advantage. National economic targets will not be met simply by increasing current quantities of primary sector exports. New Zealand needs to diversify its economy through new knowledge-based enterprises and the use of knowledge intensive services to achieve higher returns for New Zealand traditional export sectors.

Given the current and future contribution of agriculture and other land-based industries to New Zealand's economic well being and economic development, Telford Rural Polytechnic and Lincoln University believe it is necessary to address explicitly strategic national priorities for education and research at all organisational levels, specifically capability building, and capability maintenance, within land-based industries, and education and research providers.

The recent KPMG Agriculture Agenda¹ noted:

- “Like many areas of the New Zealand economy, there has been under investment in the social infrastructure of the agribusiness sector in recent decades. In addition to the investment in research and development, three areas we have identified that in our view need additional investment are water, education and communications”.
- “It also places an onus on New Zealand Inc and the government funded tertiary education sector to develop and provide the training programmes and mentoring that current and future industry leaders will need to meet these challenges.

¹ KPMG Agribusiness Agenda 2010 - The big opportunities and challenges facing New Zealand agriculture. Reflections on the views of industry leaders pages 9 and 54.

Investment in training and development to build the talent pool available to the industry is a key investment that needs to be made in New Zealand's intellectual capital infrastructure".

- "The challenge of making a career in agribusiness an attractive option to prospective employees from the school level is perceived as a significant challenge to the industry by many of the industry leaders we have talked to. There is a general perception that careers in the professions (law, accountancy, medicine) or education are promoted in favour of agricultural or science based careers".

Both Telford Rural Polytechnic and Lincoln University Councils support a solution in the best long-term interests of the needs of the land-based industries and the nation. This includes promoting the retention and growth of teaching, research, science and scholarship in the land-based sector, across the entire value chain (the chain of food supply, from the farm where it is produced to the consumer, often referred to as "paddock to plate" or "farm to fork"), for the benefit of New Zealand. This focus must include significant contributions to the economic and social requirements for an expanding land-based economy that is driven by export and trade opportunities.

The key driver of the merger between Lincoln University and Telford Rural Polytechnic is to protect and develop national capability in the land-based sectors, along the entire value chain, for the benefit of New Zealand. Whilst a number of options were considered to achieve this, a merger between Telford Rural Polytechnic and Lincoln University was considered the best option for protecting and developing capability in the land-based sectors in the long-term because:

- Both institutions have strengths in and a strong focus on land-based learning;
- Both institutions deliver land-based learning at different levels with little duplication. The merged institution will provide a coherent portfolio of land-based education from lower levels to Level 10 on the Qualifications Framework;
- A merger will provide clear, cost and time-effective stair-casing and pathway opportunities in agriculture and related areas from school to doctoral study with effective curriculum alignment and transparency of appropriate study pathways. Specifically, a merger will provide an improved land-based learning pathway to students at Telford Rural Polytechnic, particularly through strengthening level 4 delivery;
- There is the opportunity to enhance the revenue of the merged institutions through more effective utilisation of EFTS at undergraduate and postgraduate qualification levels as opposed to lower value, lower completion short courses. This is consistent with the Tertiary Education Strategy 2010 – 15;
- There is the opportunity to achieve improved financial viability for the merged institution through synergies, but particularly the transfer of EFTS from low level, low contribution short courses to higher level, high contribution undergraduate degree qualifications.

The merger will:

- Maintain and develop land-based capability and capacity;
- Secure better alignment to the expectations of the Tertiary Education Strategy 2010 - 15;

- Better align to industry expectations of fewer specialist providers providing a singular, efficient solution;
- Help secure financial viability for both institutions;
- Satisfy the criteria of expanding research and teaching career opportunities of staff, better meet stakeholder needs, and provide expanded opportunities for students;
- Increase coordination and vertical integration of agricultural education under more clearly defined institutional leadership;
- Increase opportunity for extension and technology / practice transfer;
- Improve academic quality of sub-degree delivery;
- Provide the opportunity to “migrate” over time lower level EFTS to higher level EFTS, consistent with TEC and government policy.

Contribution to Land-based Education and Research

The proposed merger between Lincoln University and Telford Rural Polytechnic builds on the Review of Land-based Education Provision undertaken in 2008 - 2009. Given the current and future contribution of agriculture and other land-based industries to New Zealand’s economic well being and economic development, it is necessary to address explicitly strategic national priorities for education and research, specifically capability building, and capability maintenance, within land-based industries, and education and research providers.

A combination of the two institutions would enhance land-based education and research in the following ways:

- The merger creates opportunities for improved structural alignment within the tertiary education sector and will contribute to national leadership for land-based tertiary education;
- The merged institution will provide a coherent portfolio of land-based education from lower level delivery to Level 10;
- There is greater opportunity for technology transfer of research to support on-farm practice change in a single institution. This will extend the current successful model of technology transfer through level 5 and 6 qualifications to level 4 and possibly 2 – 3. Telford Rural Polytechnic’s existing network of provision could be used to improve national reach of delivery;
- It will provide an improved land-based learning pathway to students at Telford Rural Polytechnic, particularly through strengthening level 4 delivery, through having Telford Rural Polytechnic qualifications recognised by Lincoln University. Level 4 learning is an entry point to higher learning and should better transition students to university education.

There are two major research dimensions of this merger:

1. Currently Telford Rural Polytechnic has no research projects, though the Telford Farm Training Institute has binding contracts with DairyNZ and AgResearch Limited and has formed formal alliances with Meat and Wool New Zealand, Ravensdown, Agriseeds and Clutha veterinarians for research projects.
2. The Telford Dairy Farm is the South Otago monitor farm for the South Island Dairy Development Centre (SIDDC) and received funding from DairyNZ for the Telford Dairy

project, which has a comprehensive monitoring programme. The Telford Sheep and Beef Unit is also involved in a number of externally funded research projects. Capability therefore exists within Telford farms for contribution to research.

- The potential inclusion of Telford farms² into a research platform will provide a unique capability to deliver advice and management packages for dairy farms anywhere in the South Island. In addition, the Telford sheep/beef farm would provide the opportunity for increased research opportunities which Lincoln University does not currently provide. This is subject to agreement with TFTI who own the Telford farms.
- The transfer of research through qualifications for technology and best-practice adoption and to support on-farm practice change. Thus, the merger with Telford Rural Polytechnic complements the deep network relationships Lincoln University is building with AgResearch Limited and Massey University through the Agriculture and Life Sciences Partnership for Excellence. Both institutions share a commitment to supporting lifelong learning on farms and in ensuring that farmers have access to (and shape the agenda for) research findings. The pathway for on-farm practice change will be strengthened through:
 - The addition of further qualifications taken by graduates who will supply the on-farm and support services industries workforce in the short-term (from the Telford Rural Polytechnic qualifications portfolio);
 - The enhanced access to research and knowledge that will be available to these graduates during their courses of study and Telford tutors in teaching those courses. This will arise from access to research and 'critical mass' of research and teaching experts in land-based industries, in both Lincoln University and other partner organisations, including subject experts who will be able to critique and contribute to learning resources developed for vocational courses; and by
 - Inclusion of Telford extension activities within the overall framework of farm open days, field days and other technology transfer and extension activities, in the Lincoln University Plus network.

² The farms utilised by Telford Rural Polytechnic are owned and operated by the Telford Farm Training Institute. Though the transfer of these farms is not part of the merger it is expected that the merged institution will continue to have access to the farms under similar arrangements to those that Telford Rural Polytechnic currently enjoy.

Contribution to the Tertiary Education Strategy 2010-15

The development of a closer relationship between Lincoln University and Telford Rural Polytechnic supports the intent of the Tertiary Education Strategy 2010 – 15 (TES). Specifically, the proposed merger addresses Government's tertiary education priorities as follows:

Increasing the number of young people (aged under 25) achieving qualifications at levels four and above, particularly degrees

The merger provides an opportunity to clearly define the learning appropriate for different contexts and levels; integrate and rationalise the range of mid-level qualifications; and, provide clearly articulated pathways through the levels – from secondary school level to higher levels of learning. Telford Rural Polytechnic in particular has significant strength in encouraging at-high-school students to study rural sector topics. The merger will provide clear academic pathways as well as ensuring 'parity of esteem' for all levels of qualifications. Telford Rural Polytechnic is a partner in a number of Trade Academy initiatives.

The merger will improve the proportion of young people achieving qualifications at level four and above at the merged institution through recruitment and retention of students in these areas, a reduction in lower level courses, improved alignment of lower level courses with diplomas and degrees at the merged institution, and a clearer and enhanced pathway from the lower level courses to higher level degrees.

Graduates and other employees who have education and training in fields that support the export sector will make a greater contribution to economic growth and development for New Zealand³.

Increasing the number of Māori students enjoying success at higher levels

To ensure the maximum performance and growth of Māori-owned land-based assets, trained and skilled leaders are required. This will require higher participation rates of Māori in degree and postgraduate degree level land-based programmes.

Relevant initiatives include:

- Telford Rural Polytechnic has recently entered into a partnership with Te Runanga o Te Rarawa in Kaitaia to open a bee-keeping school.
- Lincoln University is working with Te Tapaue o Rehua in Canterbury to provide opportunities for Māori students. The key aim in establishing Te Tapaue is to improve rates of Māori participation and achievement in the tertiary education in the South Island. By implication Telford Rural Polytechnic's merger with Lincoln University may mean that it becomes part of the Te Tapaue partnership and therefore part of the Te Waipounamu (South Island) collaborative tertiary initiative with Ngai Tahu. Telford Rural Polytechnic's agricultural and farm management focus and sub-degree programme levels align well with Māori interests and the desire to improve Māori

³ Dalziel P., Saunders, C., Kaye-Blake, W., Zellman, E. & Ferguson, L. (2007). Lincoln University's distinctive contribution to the economic transformation of New Zealand. Lincoln University: Agribusiness and Economics Research Unit.

participation rates in tertiary education through stair-casing and alternative entry routes for prospective Māori students into degree level programmes at Lincoln University.

- Under the auspices of TEC Priorities for Focus Funding, Lincoln University has established a Māori agricultural academy - the Manawa Whenua Agricultural Academy. This initiative focuses on building Māori capability in agricultural related study through a whanau based/academy style approach and programme at initially the sub-degree level. Academic programmes offered through Telford Rural Polytechnic afford an opportunity for these students to staircase through to higher level delivery that is not available at Lincoln University under the current structure and portfolio of provision.
- Lincoln University has established Kaupapa Māori Units (under a Tumuaki or Unit Head) within each of its academic faculties. The aim of these units is to oversee the development and delivery of disciplinary specific Māori curricula, seminars, workshops etc, to build Māori research capability, to facilitate Māori student monitoring, pastoral and academic support and to coordinate participation in institution wide initiatives, for example, Ra Whakamana (Māori Graduation). This model can be extended to oversee and coordinate kaupapa Māori development initiatives within Telford. The Kaupapa Māori Units also have memberships of the University's institutional wananga - Te Puna Whakapuawai and naturally membership would also extend to a Telford based Kaupapa Māori Unit.
- Lincoln University also has a Māori Development Committee (Ahumairaki) as a standing committee of the University Council to monitor and advise on obligations under the Treaty of Waitangi and university contribution to Māori development aspirations. Ahumairaki is chaired by Ngai Tahu's appointee to the University Council and its membership includes a representative appointed by the local manawhenua papatipu Runanga - Te Taumutu Runanga. It would be entirely appropriate to extend this membership to include a representative of the local Runanga within whose takiwa (region) the Telford Rural Polytechnic is located.

Increasing the number of young people moving successfully from school into tertiary education

The merger will provide clear, cost and time-effective stair-casing and pathway opportunities in agriculture (and related areas) from school to doctoral study with effective curriculum alignment and transparency of appropriate study pathways. The merged institution will be able to cater to and support the learning and career aspirations of a greater number of young people. This also supports the intent of the TES to increase the number of young people achieving qualifications at levels four and above. It also builds on the recommendations of the Review of Land-based Provision.

Improving the educational and financial performance of providers

The merger will improve educational performance through higher completion rates with a move from lower completion rate level 1-3 courses to higher level studies at which both institutions have higher completion rates.

The merger will improve the financial performance of the merged institution through some synergies and more efficient use of EFTS funding. In addition the merger will add to the economy through higher-level learning, which both leads to greater employment

opportunities for students and the delivery of greater benefit to New Zealand and contribution to economic growth.

Strengthening research outcomes

One clear benefit of the proposed merger is the enhancement of opportunities to deliver new technology plus science and business solutions to the end users. Agriculture is unlike many business models in that knowledge transfer is more clearly required at all organisational levels from on-farm practitioners to small and large scale farm managers and through the value chain to agricultural service industry providers and those closer to the end market. Agricultural industry sectors recognise the current lack of effective knowledge transfer and the value of linking through education providers to support improvement. The Primary Growth Partnership (PGP) is one of the potential funding sources for industry, in association with education providers. The proposed merger will allow improved opportunity to engage with agricultural practitioners at every level and enhance a wide array of professional development and knowledge transfer initiatives.

The merger is also a major component of the “Lincoln University Plus” model, a proposed initiative from Lincoln University to improving capability in land-based industries. In addition to the proposed merger with Telford Rural Polytechnic, Lincoln University Plus has three other aspects:

1. Advancement of the Agriculture and Life Sciences Partnership for Excellence (with Massey University) and relevant industry partners;
2. Continuing to foster the partnership with AgResearch Limited that commenced in 2009, along with other Crown Research Institutes; and,
3. Expanding the University’s relationship with Ngai Tahu.

These activities will form a core component of the Lincoln University Investment Plan 2011-2013.

Review

A thorough review of the issues, opportunities, and implications of a merger between Telford Rural Polytechnic and Lincoln University was completed in two jointly funded scoping studies by Deloitte and more recently by joint teams from Telford Rural Polytechnic and Lincoln University.

Lincoln University and Telford Rural Polytechnic had the following key driver to the fore in evaluating options, both independently and together: how best to protect and develop capability in the land-based sectors (in the long-term). The overall aim is to focus on national needs and to ensure that essential capability is retained to support the land-based industries and agriculture at all organisational levels.

The options were considered against various criteria including:

- What is best for the maintenance and development of land-based industries in New Zealand?
- What is best for delivery of excellent land-based education for New Zealand?
- What is best for students?
- What is best for staff?
- What opportunities exist for growth?
- What cost savings may be achieved?

Standalone, collaboration and joint venture options were considered, but a merger was considered to have the best potential to deliver the best outcomes for students, staff, land-based education delivery and potential synergies for growth and cost savings, that could not be as easily realised by the other options.

A merger between a polytechnic and a university is contemplated and allowed under the Education Act (1989). International experience provides a number of examples of leading land-based institutions which have developed from the merger of vocational, university and research organisations such as:

- The merger of Wageningen University, Van Hall-Larenstein School of Higher Professional Education (a vocational institution) and former agricultural research institutes from the Dutch Ministry of Agriculture resulted in Wageningen University and Research Centre (Wageningen UR) which is considered to be one of the top land-based institutions in the world.;
- The University of Guelph in Ontario, Canada was formed through the amalgamation of the Ontario Agricultural College (a vocational institution), the Macdonald Institute and the Ontario Veterinary College.

A merger between Lincoln University and Telford Rural Polytechnic is seen as the best option for protection and development of land-based education and is consistent with Lincoln University's vision of an enlarged Lincoln University as a champion and centre of excellence for land-based education and research. The merger was also considered to provide the best opportunity for maintenance and development of land-based education and training, which

in turn, will provide the best outcome for providing trained people for the industry in the future. It also provides opportunities for students and staff and improved viability in the merged institution through utilisation of the combined EFTS funding in land-based and related education. Telford Rural Polytechnic and Lincoln University as a combined entity will retain Telford Rural Polytechnic's contribution to land-based training, and will better deliver land-based training and education at all levels than what either institution could do alone.

A number of opportunities for growth in the merged institution were noted through the utilisation of strengths in both institutions, plus some synergies in joint operation. These include the development of international vocational land-based training in association with leading New Zealand land-based businesses.

In addition a significant opportunity to transfer a number of Telford Rural Polytechnic EFTS from low level and low value courses to higher level undergraduate land-based study was identified, which yields financial gains as well as improving the achievement of Government (Tertiary Education Strategy) policy in this regard. From 2011 Government will no longer fund low level short awards in health, safety and compliance. These have been a significant part of Telford Rural Polytechnic delivery in the past.

Financial Analysis

The financial analysis comprised three key components:

- Status quo financials were developed for Lincoln University and Telford Rural Polytechnic for actual 2008 and 2009, and forecast 2010 - 2019 forecasts. The status quo financial forecasts were prepared by Lincoln University and Telford Rural Polytechnic financial managers on a status quo (no merger) approach and provide baseline data to allow analysis of the pre and post merger implications at that level.

Forecasts for 2010 - 2013 were prepared in detail, with later years based on the 2013 forecast unless there are known changes likely to occur. The capital expenditure models incorporated were based on Telford Rural Polytechnic and Lincoln University 10 year plans.

Forecasts were in nominal terms.

- The combined status quo financials were adjusted for the financial implications of the proposed merger as identified by the joint working groups. These included one-off and transition costs of the merger, ongoing savings and costs arising from the merger, and opportunities for growth and better use of EFTS.
- The cash flow for the merged organisation was compared with the status quo cash flows to identify the financial implications of the proposed merger for 2011 - 2019.

In addition, a small number of scenarios were modelled to illustrate the potential financial implications of changes from the base case assumptions.

It is forecast that the merged institution will make surpluses going forward. The merger is expected to have a positive financial impact, mainly associated with the improved utilisation of short award EFTS and the opportunities for the Telford programmes to be delivered

offshore. The merger is forecast to add to the net present value to the merged institution, that is, the expected returns from merging in today's dollars are estimated to be higher than the expected combined returns of the two institutions operating separately.

Analysis indicates that the merger of Telford Rural Polytechnic and Lincoln University will not require any one-off TEC/government financial support.

Operational Analysis

A thorough review of Telford Rural Polytechnic's current operational systems, policies and process has been undertaken by joint Lincoln University and Telford Rural Polytechnic teams. Telford Rural Polytechnic currently run systems appropriate to their size, but without the capacity or strength to become the overall systems for the merged institutions. Therefore the approach taken in the reviews was to understand Telford Rural Polytechnic's systems and processes and determine the best way to handle these in a merged institution, whether by integration into Lincoln University systems or, in some cases, maintaining Telford Rural Polytechnic's current systems.

Consultation

Both Lincoln University and Telford Rural polytechnic provided opportunities for consultation and discussion. These included:

- Advice to student and staff via communications and advice, including three staff workshops held at Telford Rural Polytechnic;
- Direct contact with the Lincoln University Students Association (LUSA) as representatives of students and the opportunity for comment on the LUSA web pages;
- Direct contact with the Telford Rural Polytechnic Students Association;
- Request for feedback to Telford Rural Polytechnic off- campus students through email;
- Regular meeting with staff to answer questions and gain feedback;
- A draft copy of the Merger Business Case was provided to the Tertiary Education Union (TEU) in confidence for feedback;
- Reciprocal campus visits have been undertaken between Lincoln University and Telford Rural Polytechnic Council members and senior staff, with visiting representatives being available to answer questions.

Wide consultation with the land-based sector and other stakeholders with regards to the proposed merger was also undertaken. The consultation included a specific stakeholders briefing in Wellington on 18 March 2010. To date the response from land-based stakeholders has been overwhelmingly positive. They share Lincoln University and Telford Rural Polytechnic's concerns about protecting and strengthening the delivery of land-based training, education and research for the national benefit.

Key Risks and Issues

A risk analysis was undertaken and key academic, operational and financial risks were identified. Risk management strategies were developed for each of the identified risks. It was concluded that although there are some risks in the proposed Lincoln University-Telford Rural Polytechnic merger, the merger is considered worthwhile pursuing and the risks are considered manageable as:

- Both institutions have a core focus on the same industry – agriculture. The merged institution will have experience in and commitment to, and a history in, this specialisation;
- No relocation or costly building programme is proposed, so capital and one-off costs are low.

There are expected to be significant educational, operational and industry benefits from the merger.

Proposed Structure for the Merged Institution

The vision of the merged institution, as part of the broader Lincoln University Plus Model, will reflect a focus on national needs and ensuring that essential capability is retained to support the land-based industries and agriculture at all organisational levels, promoting the retention and growth of research, science and scholarship in the land-based sector, across the entire value chain, for the benefit of New Zealand.

Priorities of the proposed merger, inclusive of the Lincoln University Plus Model include:

- Increased national reach of land-based education;
- Positive contribution to national benefit from land-based industries;
- Enhanced research capability in land-based industries;
- Maintenance of a focus on land-based teaching and research;
- Enhancement of student learning experiences and opportunities in land-based disciplines;
- Strengthening of staff career achievement and opportunities;
- Maintenance of the Lincoln University and Telford Rural Polytechnic's reputations and brands;
- Support for and contribution to development of stakeholders – primarily staff and students but also industry and alumni;
- Financial viability;
- Cost effectiveness.

Under a merger Telford Rural Polytechnic would become a division of an enlarged Lincoln University. Telford Rural Polytechnic would retain their brand, the Telford campus (which is leased from Telford Farm Training Institute) and the majority of their current programmes, with the exception of short awards, the funding for which is declining due to government policy from 2011. Telford Rural Polytechnic and Lincoln University courses would be rationalised and better integrated to improve stair-casing opportunities and meet industry requirements.

Telford Rural Polytechnic would retain most of its existing management structure and would be represented on the Lincoln University Council initially through utilising an existing vacancy among co-opted members to appoint a Telford Rural Polytechnic representative (most likely the current Chair). In addition, future Ministerial appointments would take the range of delivery and geographical points of origin of the merged institution into consideration.

Conclusion

The fundamental reason for merging Lincoln University and Telford Rural Polytechnic is to protect and improve land-based education delivery and increase student opportunities for access to quality land-based education.

Whilst there are opportunities to achieve improved financial performance from a merger of Lincoln University and Telford Rural Polytechnic, these are secondary to the imperative to protect and develop national capability in the land-based sectors.

The vertical integration of land-based provision has the support of both Councils and is consistent with the opportunities identified in the Review of Land-based Provision⁴ conducted by the TEC.

Submissions

The Minister intends to make a decision in October, to inform planning by the Polytechnic, the University and their stakeholders for the 2011 academic year. Therefore, submissions should be received by the Tertiary Education Commission by **Friday 17 September 2010**.

Submissions should be addressed to Chris Ford, Group Manager, University Investment Group, Tertiary Education Commission, PO Box 27048, Wellington, or may be submitted electronically to Chris Ford at chris.ford@tec.govt.nz.

⁴ Tertiary Education Commission (TEC) established the Land Based Review Sector Group in 2008 to review tertiary provision in Land-based industries and to develop advice to the TEC on an integrated network for the provision of tertiary education and training for the land-based industries. The Review Steering Group included representatives from Ministry of Education, NZQA, Career Services, Land-based ITOs, TEOs, Schools, Horticulture and agricultural teachers' association and Industry bodies. The Steering Group reported back to TEC in November 2008. The TEC Board addressed the recommendations of the Steering Group in late June 2009 and accepted the broad direction provided by the recommendations as a guide to future action.