

New Zealand government arrests alleged student loan defaulter

Tom Peters
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On January 18 police arrested Ngatokotoru Puna, a mathematics teacher from the Cook Islands, as he attempted to leave New Zealand with an unpaid student debt. Puna borrowed \$40,000 to study at Auckland University more than a decade ago, and the sum had ballooned to \$120,000 due to interest.

Puna was released after he paid \$5,000 and arranged with the Inland Revenue Department to make future repayments. He told the media that being detained in a police cell and dragged before the court was the “worst day of my life.” He said his \$35,000 annual salary was too low to repay the debt, support his five children and repay a \$300,000 mortgage.

Puna’s arrest was the first under legislation passed in 2014 allowing police to detain people who have defaulted on repayments to the government-run student loan scheme. More than 110,000 borrowers live overseas and reportedly 70 percent of them have defaulted, meaning they could be arrested if they returned to New Zealand.

The National Party government and corporate media used Puna’s arrest to demonise these former students. National’s coalition partner David Seymour, leader of the far-right ACT Party, absurdly told RadioLive that student loan defaulters were “upper class bourgeois” who had “ripped off the New Zealand taxpayer.”

This comes from a government that has slashed funding for education, healthcare and welfare, while cutting corporate taxes and bailing out the failed company South Canterbury Finance with \$1.7 billion. It has spent hundreds of millions on sending troops to Afghanistan and Iraq, and celebrating New Zealand’s participation in World War I.

In reality, the growth in the number of people unable to repay their loans is due to exorbitant university and polytechnic fees, combined with cuts to financial

support and low wages for graduates. Since the Labour government of the 1980s introduced the first fees for tertiary education, successive Labour and National Party-led governments have chronically underfunded institutions, imposing more costs on students every year. The state subsidy has been reduced to around 75 percent of course costs.

Figures released in December show that total student debt in New Zealand sky-rocketed to \$14.8 billion by mid-2015, up from \$14.2 billion the previous year and \$10 billion at the end of 2007. Debt has increased despite falling enrolments. Last financial year, 176,210 people borrowed from the loan scheme, compared to 202,219 in 2010–11.

Students and graduates paid off about \$1 billion worth of debt last year, but another \$1.5 billion was borrowed. The number of people with student loans stood at 728,348, in a country with 4.5 million people. The average loan balance was \$20,371, up from \$14,246 in 2004.

According to the *New Zealand Herald*, of the people who left study in 2002, only 50 percent had fully repaid their loans 10 years later, and one quarter had not repaid anything.

The hardship and poverty facing young people has worsened dramatically as a result of the government’s austerity measures, especially since the 2008 financial crash. The 2014–15 financial year saw 540 student loans, worth a record \$17.7 million, written off due to bankruptcy. In 1999–2000, \$2.8 million was written off.

Student living allowances, which are based on parental income and only available to about one in five students, have remained stagnant for years. The maximum allowance is \$175 a week but students typically pay \$120–\$160 or more on rent alone.

Part-time jobs are few and low-paid, forcing many students to borrow extra for living costs. Official statistics show that 11 percent of under-25-year-olds are not in work, education or training.

In response to the government's funding freeze, universities and polytechnics have axed courses and introduced more stringent academic entry criteria, turning away thousands of prospective students. In 2011 the government banned students from borrowing for more than seven years of study, effectively barring working-class students from expensive postgraduate courses.

Over the past seven years hundreds of staff have been sacked and wages frozen at institutions throughout the country. Most recently, Unitec announced 300 job cuts last November at its Auckland campus, as part of a plan to outsource student services.

Universities increasingly rely on international students, who must pay much higher, unsubsidised fees. Foreign students, largely from China and India, are highly exploited. On January 18, the *Herald* reported that some apartments housing foreign students in Auckland were severely overcrowded, with a typical advertisement seeking \$130 a week for a room shared with three other people.

Shannon Aitken from Crockers property management told the paper there had been an increase in "hot-bedding," where one bed is shared in shifts. "Someone will be there during the night and someone will be sleeping during the day," Aitken said.

The student unions, which are thoroughly integrated into the university structures, have not called for free education and the wiping of student debt. Speaking to Radio NZ, New Zealand Union of Students Associations acting president Laura Harris criticised Puna's arrest and meekly called for a more lenient approach to debtors, but stressed that the associations "absolutely are for the loans being repaid."

The opposition Labour Party fully supports National's austerity measures, including its attacks on students. Following Puna's arrest the *Herald* reported that Labour's education spokesperson Chris Hipkins "did not disagree with some of the Government's efforts to increase student loan repayments, including going after overseas borrowers."

In a profoundly dishonest statement on Friday, Hipkins declared that the 1999–2008 Labour

government had "a proud track record when it comes to tertiary education ... we capped tuition fees, abolished interest on student loans, and increased access to student living allowances."

In fact, while Labour introduced interest-free loans as an election ploy in 2005, total student debt increased from \$3 billion in 2000 to \$10 billion in 2007. The party refused to reverse National's decision to abolish universal student allowances in 1991. Notwithstanding a temporary fee freeze from 2001 to 2003, Labour presided over continual fee rises of around 5 percent each year. It shares responsibility for the crisis facing students.



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