

Case study: Wintec

NZECO solution: Secure Export Sales

NZECO product: General Contract Bond Guarantee

Sector: Services (Education)



Middle East education bid boosted by Sovereign-to-Sovereign bond

When Hamilton-based tertiary education institute Wintec (Waikato Institute of Technology) announced its international ambitions to set up shop in Saudi Arabia, a host of NZ Inc agencies offered support.

Wintec's chief financial officer Paul Holloway says it was a Sovereign-to-Sovereign bond provided by the New Zealand Export Credit Office (NZECO) which lent the most gravitas to Wintec's compelling bid to take New Zealand-style vocational education to the Kingdom of Saudi Arabia.

"The Sovereign-to-Sovereign bond showed that not only were we serious, the New Zealand Government was serious about us too," Holloway says. "It offered a level of kudos which confirmed that we were serious players in the international education scene."

In 2013, the Saudi Government issued a worldwide tender for a contract to train students in government-owned facilities. Spain's Mondragon Educacion Internacional had a history of success in the Middle East, but this time it wanted an English-language based educational institution to partner with. Wintec was committed to participating in the tender, but saw real advantage in partnering with an organisation already active in the region.

Mondragon, Wintec and a Saudi Arabian partner created a joint venture, won the contract, and now run three vocational educational colleges (two male, one female) in coastal towns in western Saudi Arabia. Around 600 students are about to complete their first year of study.

The joint venture receives money for the students' tuition in advance. A Sovereign-to-Sovereign advance payment bond promises that, should the joint venture fail to deliver those services and be unable to return the money, the New Zealand Export Credit Office will pay the money back. An underwriting such as this was an essential prerequisite to securing a contract. The bond is due to expire in four years.

NZECO's head of business origination Peter Rowe says bank performance bonds usually favour "bricks and mortar" enterprises where there is an asset the bank can claim as security. But NZECO performance bonds offer an option for the services industry, where tangible assets are less common.

Rowe says the Government sees substantial value in supporting service industries, such as education and consulting, to achieve success offshore.

International success creates value for New Zealand in a number of ways. For example, Wintec's international collaboration upskills the New Zealanders working on the venture, provides opportunities for organisations to learn from foreign business partners, and builds wealth in New Zealand education.

However, NZECO does not offer Sovereign-to-Sovereign bonds lightly. Rowe says they are reserved for established credit-worthy organisations, fitting a specific criteria, and they require detailed due diligence.

But Holloway says Wintec, as a Crown Entity, was already working hard to ensure the deal satisfied central government requirements and complied with The Education Act, so applying for the NZECO bond involved little additional work.

"I know we could have gone to our banker. But as we were already undertaking the highest level of due diligence to satisfy our Council, and the Act, this bond was more attractive to us because it brought the four corners of government together", he said. "We knew we had the full and serious backing of our Government behind us once we had Treasury (in the form of support from NZECO) offering a Sovereign-to-Sovereign bond."

www.wintec.ac.nz

NZECO contacts:
Tel: +64 04 917 6060
Email: nzeco@treasury.govt.nz
This document is available at www.nzeco.govt.nz