

Competition Policy and the Future of Higher Education Institutions in Australia

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Policy changes over the past 15 years have led to what is perceived to be a funding crisis in higher education, but higher education is in a state of continuing change on many fronts. National Competition Policy could be implemented more fully as it has in the VET sector or in other portfolio areas. The use of communication and information technologies (CIT) will facilitate greater competition within Australia from overseas providers and will lead to increased competition from new entrants to higher education. This paper reports on a study of the influence of policy changes, particularly National Competition Policy, on higher education and on consequences of those changes. It examines issues such as changing demand, funding policy shifts, and the use of CIT in higher education. It presents an analysis of case studies of two profit-driven higher education providers in the United States and suggests that these cases serve as a possible model for some Australian higher education providers in an increasingly diverse sector.

Introduction

This paper begins with the thesis that higher education in Australia is under great pressure to change. Many factors are identified as driving the need for change. Some of the key ones are shown in Figure 1. These factors interact in complex ways, and a subset of the factors and the complexity of their interactions are the subject of this paper.

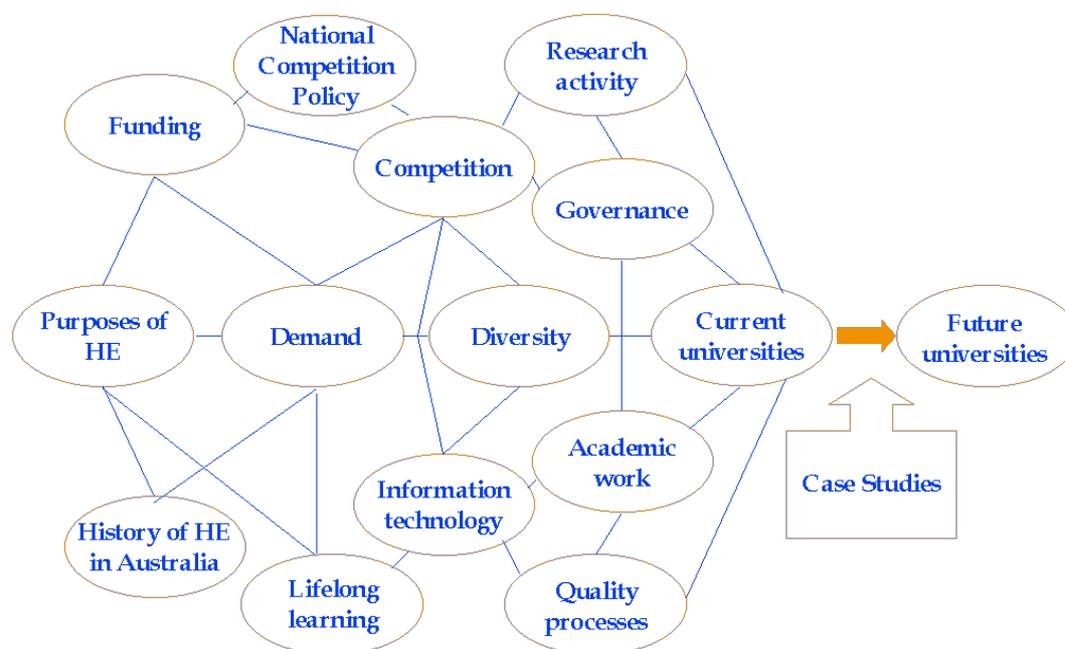


Figure 1: A representation of some of the many factors that have influenced the development of higher education in Australia and that impact upon its future evolution

While many see limited funding as the core problem of Australian higher education, it is argued here that the key elements driving change are:

- the growing quantum of demand for places in higher education and the changing nature of that demand as a result of increased opportunities for 'lifelong learning';
- the move from a highly regulated higher education system to an open market through the application of National Competition Policy;
- the application of communication and information technologies; and
- changed funding arrangements for higher education reflecting demographic changes.

These factors impinge upon many other aspects of higher education. For example, the emergence of new types of students whose needs are different from those of more traditional undergraduates may lead to new types of institutions focused largely upon this emerging but restricted group. By focusing upon their requirements, new institutions can ignore certain traditionally accepted university roles, for example research, and operate in more economically efficient ways. In a competitive market, this may force some existing universities to seek similar efficiencies and therefore they may wish to divest themselves of certain functions and to alter the working conditions of academic staff. The roles that universities choose to emphasise and their approach in executing these roles will bear upon their perceived quality outcomes and in turn, demand for their programs.

In attempting to meet the growing and changing demand for places in higher education, established universities are likely to face increased competition from established institutions and from new providers. The new entrants will have certain competitive advantages as they do not have some of the limitations of established institutions and they need not engage in the same range of functions. The use of information and communication technology will facilitate competition from new providers by opening access to new demographic and geographic markets. How current Australian universities respond to the challenge posed by an increased demand for lifelong learning will in part determine their success.

The Major Factors Influencing Change

Three of the major factors that are thought to be the key drivers of change within the higher education sector within Australia - demand, competition, the use of ICT, and funding - are now discussed.

Demand

Demand for places in higher education has grown steadily since 1945 and seems destined to continue to grow. This observation is a common feature of OECD countries. The OECD suggests reasons for this:

OECD economies are more strongly dependent on the production, distribution and the use of knowledge and skills than ever before. Output and employment are expanding fastest in the high technology industries, as well as in the knowledge intensive service sectors. It is highly skilled labour that is in the greatest demand,

The report goes on to identify continued growth in demand for higher education, growing diversity among higher education entrants, and an emerging scenario of lifelong learning as results of the structural changes in OECD economies. These issues of growing demand and of the changing nature of that demand are canvassed in the Australian context.

Participation in higher education in Australia has grown steadily and at times quite rapidly with few periods, prior to 1945, in which participation declined even slightly. Since 1950 there has been sustained growth in participation in the higher education sector from 32,000 in 1951 to 686,267 persons (544,146 EFTSU) in 1999. This growth can be attributed to a general demand for a more highly educated work force, initially as a result of the transition from a predominantly primary industry focused economy to a manufacturing one, and most recently from a service based to a knowledge economy. This has led to greater retention through to year 12 of secondary schooling and therefore a greater proportion of people eligible for university entrance. The transition to an advanced service and knowledge economy has been accompanied by the emergence of new professional groups, such as financial advisers, and by a requirement for higher educational levels for other professionals, eg nurses. The recent growth in participation in higher education (1988 to 1997) is shown in Table 1.

In referring to the change in the students who participate in higher education in Australia now compared with former times, West, in his introduction, makes the point:

In 1951, there were nine universities in Australia and only 32,000 students in the nation. We talk these days about going from an 'elite' to a 'mass' higher education system. There was nothing intellectually elite about the students of 50 years ago. A pass of five Bs was enough to gain entry to the faculty of medicine at the University of Sydney-the equivalent of a tertiary entrance rank no further than midway up the scale! What was elite about that cohort was that it had the opportunity. Last year, there were 670,000 students involved in higher education in Australia. (p.5)

One of the concerns that accompanies a move from a selective to an inclusive higher education system is the quality (for which read academic capability) of the student body. Certainly, if by elite the interpretation is made that students were academically selected, the move from less than 32,000 students in 1951 to the 544,146 EFTSUs in 1999 would suggest a problem with academic standards. However, West's point is that students have not really been selected on academic grounds, but more likely on socioeconomic status, and that what has changed with increasing capacity and funding changes has been a broadening of opportunity. Indeed the OECD predicts that in most OECD countries there will be a move to universal participation in higher education, which they define as having 80% of an age group undertaking post secondary education.

Such changes in participation leads to the question: "What can higher education do for these people?" This could be posed as a rhetorical question by those who perceive an academically elite role for universities, but it is posed here as representing a challenge for universities as they contemplate the form of education that they might provide for such a large proportion of the population.

There is evidence for the sort of change towards universal participation predicted by the OECD and this is shown in Table 1. These data show that as the number of students in senior secondary years increases, so does participation in higher education. However, there is also a substantial number of people in higher education who are not direct entrants from school.

Table 1: Enrolments in Senior Secondary Schools (SSS) and Commencing Undergraduate Higher Education (New FTE HE) from 1988 to 1997 ('000)

Year	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
SSS	372	372	375	395	407	395	389	375	375	380
SS exit	167.4	167.4	168.8	177.8	183.2	177.8	175.1	168.8	168.8	171.0
SS to HE	59.4	59.4	60.3	61.6	65.8	68.7	67.5	67.4	65.8	66.7
New FTE HE	107.3	110.5	120.4	125.8	114.6	115.8	120.5	129.7	137.0	136.5

(Figures taken from Chart 1 of Borthwick and from Tables 3 & 26, Department of Education Training and Youth Affairs . Model assumes an increase from 35% to 40% in Senior Secondary students entering HE from 1988 to 1999, the balance of Lifelong Learning enrolments (students over 25 years) is shown as LL and LL per cent of total.

The model assumes that from 1988 to 1999 there was an increase in the proportion of secondary school completing students who moved into higher education from 35% to 40%. The figures for new enrolments include some students who have changed from one course to another, so these data are an inflated measure of the numbers of people new to the sector. This proportion is thought to be small and does not account for the differences between the numbers of school leavers and the number of new undergraduate enrolments. The remaining commencing students in higher education can be attributed to lifelong learners, ie people who are entering undergraduate programs later in life. Participation in senior secondary school has varied over the last decade but has not shown strong growth. Indeed, participation peaked in 1992/3, declined slightly, then recovered somewhat since then. It does not seem to have growth potential as fertility rates in Australia are falling. Despite this, participation in undergraduate education by Australian resident students has increased by 27% (EFT) from 1989 to 1999. During that time, postgraduate enrolments have increased by 66% (persons). This is a further indication of increasing participation in higher education by lifelong learners.

This model is supported by figures on higher education participation by age group as shown in Table 2, with 40% of students being older than 25. Karmel noted the substantial shift between 1973 and 1997 from 11% to 27% of university students being over 30. A similar trend that has been identified in the US and seems likely to continue to develop in Australia as the knowledge economy develops and its demands are reflected in higher levels of participation in education at all levels .

Table 2: Participation in Higher Education in 1999 by Age Group

Age group	Numbers	% of total
<= 19	185500	27.0
20-24	227158	33.1
25-29	92877	13.5
30-39	105745	15.4
40-49	57171	8.3
50-59	15582	2.3

60+	2284	0.3
Total	686267	100.0

Data from Table 26

In order to forecast the future demand for higher education places, it is instructive to examine population predictions for Australia. Table 3 shows population predictions by age group from 1997 to 2051. The greatest increase in population will occur in the older age groups (over 40 and especially over 60) with only very modest growth of less than 5% in the younger groups. However, it should be noted that these projections appear to make very conservative assumptions of immigration levels.

Table 3: Projected Population by Age Group, 1997 to 2051 ('000)

Age group	Year				
	1997	2001	2011	2031	2051
15-19	1294.6	1351.5	1390.1	1351.9	1363.9
20-24	1372.7	1354.1	1448.4	1413.6	1447.7
25-29	1454.1	1432.6	1454.4	1451.2	1485.4
30-39	2904.8	2923.0	2901.9	3045.8	2926.0
40-49	2671.1	2832.0	2978.7	3082.2	3081.9
50-59	1946.8	2289.6	2807.4	2952.0	3113.3
60+	2967.1	3191.1	4194.7	6504.6	7554.3

Data from Table 4.4, Series II Projections, p.49

The projected demand for higher education can be estimated on a range of assumptions about participation rates for each age group and the proportion of that age group in the population. Three models are presented in Table 4. Model 1 shows the effect of no change on current participation rates for each age group and thus reflects only the effect of population changes. Model 2 assumes that participation will increase by 20% for all age groups. This is a very modest assumption and, although it would lift overall participation, it is some way behind the US and Canada where current participation rates are approximately 80%. The third model is based on 20% increases in participation among the 15 to 24 year age group, but with a doubling of participation in older age groups. This is based on OECD projections. This is still a conservative projection for participation compared with other advanced economies.

Demand for higher education has grown substantially in Australia, as it has elsewhere. If Australia is to develop as an advanced knowledge-based economy, it will need greater numbers of better educated citizens. This suggests that attention must be focused on increasing retention to the end of year 12 and on encouraging greater numbers of people to undertake post-secondary education. Much of the projected increase in participation in higher education will be associated with increases among lifelong learners. These people have been a growing proportion of higher education enrolments, and they have some unique

characteristics compared with recent school leavers. Many are in full time employment and have family responsibilities. These learners must fit their study around those commitments and meeting the needs of this growing proportion of learners represents a challenge for established universities. The challenge will include organisational, pedagogical, and technical dimensions.

Table 4: Projected Numbers in Higher Education predicted by Age Group participation, 1999 to 2051

Model	Year				
	1999	2001	2011	2031	2051
Model 1 Current participation	686267	697041	726858	725811	733089
Model 2 (20% increase)	830444	843420	879499	878231	887038
Model 3 (differential increase)	1335903	1355974	1408580	1418519	1428684

Projections are based on data from Table 2 and Table 3 above.

The projected increase in demand for higher education suggests that either existing arrangements need to be extended or that new entrants to the sector will emerge to meet this demand. The point will be made later that there is limited capacity or willingness to extend current arrangements, and therefore opportunities for new providers will arise. Attention now turns to how the integration of emergent private providers into a publicly funded sector might be managed.

Competition

As demand for higher education grows in the context of a reducing capacity for governments to fund the desired levels of participation, there is pressure on universities on several fronts. First, they are expected to show great productivity gains and thereby to reduce substantially the cost per student, and second to respond to the needs of the emerging market of lifelong learners. Universities have been criticised as being too slow in responding to these changes. For example, Kemp criticises both university management and academic unions for their roles in pattern bargaining and for not effecting fundamental change in work practices in the sector. New entrants to the sector in the US have shown that they can implement new models of both teaching and industrial relations in higher education. Government policies that promote competition, and growing local and international competition are likely to drive similar changes in Australian higher education.

A key element of public policy in Australia since 1993 has been the National Competition Policy (NCP). NCP was proposed in 1993 through the report of a committee established to advise government. It can be seen as an extension of the Trade Practices Act in which certain actions by companies are proscribed if they inhibit 'fair trade'. The policy has two core elements: competition and contestability. Competition exists when there is a market of buyers of goods and services in which there are multiple alternative providers and in which buyers are free to choose among the suppliers. Under some circumstances, it is not feasible to have multiple suppliers for a service. This might occur if having multiple suppliers would

result in duplication of infrastructure leading to high costs and therefore high charges. Under these conditions, potential suppliers tender for the right to supply in an open process. Thus the right to be the sole supplier is periodically contested.

A further principle is also included. In moving from a protected situation to a market-driven one, pre-existing providers enjoy considerable advantage over potential new entrants to the market. This may include control over infrastructure or occupancy of prime locations. New entrants may demand arrangements to equalise competition under the principle of competitive neutrality.

The essential assumption of NCP is that free and open competition in a market should lead to maximum economic efficiency, optimal allocation of resources, and optimal social benefit. Among the principles expressed in the proposed policy was the notion that competition policy should be "uniform and universal" in its coverage and application, and that exemptions should be granted "only on demonstrated public interest grounds." Tests of public interest should be applied openly and transparently. Hilmer identifies two broad exceptions in which public interest may justify an arrangement that is not in accord with open competition. Both are potentially applicable to higher education.

In the first, Hilmer argues that "some markets or economic activities may have special features which suggest that competitive market conduct will not maximise economic efficiency". The report refers to "information problems" in relation to the conduct of professionals. Such difficulties may exist in relation to university courses where consumers do not have access to relevant information or may not be able to assess the information that is available. Indeed, there is strong evidence of a lack of accessible information about universities and courses .

Of greater significance is the level of public investment in Australian universities. If full competition were permitted, it is possible that some of them would fail while others would be heavily oversubscribed. It could be argued that such a scenario represents poor use of resources and therefore a case of market failure. Indeed Schwartz has argued that those institutions that do not change and improve service delivery should be allowed to fail. However Phillips believes that allowing a public institution to fail, most likely a regional one, would represent a loss of access in the region and would represent a waste of public expenditure. He argues for an interventionist role to assure service delivery standards. The establishment of the Australian Universities Quality Agency is a means of assuring quality standards, but using the market rather than regulation to achieve the desired end.

The second case for exemption from open competition arises because "competitive market conduct may achieve economic efficiency, but at the cost of other valued social objectives" (p88). Here it could be argued that the contribution of universities through their 'scholarships of discovery and service' ought exempt them from open competition. Later in this paper it is argued that competition will arise from new entrants to the higher education market. However, these new competitors will differentiate the market and target only a particular segment of it. Further, they will separate the core roles of traditional universities and offer a teaching only function. Because of this separation of roles, their activities do not make a contribution to universally shared knowledge, but they will depend upon and use the knowledge generated by others. In addition, they may not seek to meet equity of access goals, nor need they contribute to their broader communities through service. Through their targeted activities, they will enjoy cost advantages compared to the public universities with their broader range of roles and functions. The solution proposed in the Hilmer report to such "market failures" is to provide "direct budgetary assistance" to those who do meet social goals rather than to permit "particular market participants to engage in anti-competitive behaviour" (p89). The four-tiered structure proposed by Latham is one way of

providing such assistance, while permitting some of the current public universities to operate in full and unfettered competition with private providers.

The principles outlined in the Hilmer Report have informed the work of the National Commission of Audit, whose task is to ensure the efficient operation of government agencies. It said:

Where feasible the right to deliver government services should be open to a range of private sector providers. In cases where direct competition in the delivery of government services is not feasible because it is more economic to have only one provider, the right to provide the government service could be put to tender. Such potential competition would provide strong incentives for improved performance by public sector managers. (p16)

The principles outlined above could be applied to the higher education sector in Australia. For example, some universities could become private providers and new private providers could be encouraged to enter the market to increase the capacity of the sector to meet demand. By competing with established providers, they would enhance the efficiency of the sector. The recommendations of the West review did seek to establish market conditions in the sector. For example, it recommended a voucher system of per capita funding, the effect of which would be to give consumers of the service more direct control over access to courses. It also proposed to open public subsidies to competition from private providers and to require publicly funded institutions to be subject to commercial taxation arrangements. These arrangements would put the public universities on the same footing as potential private providers.

Competition does occur in other sectors of education. In school education, there are many private schools and they compete with each other and with state schools. All receive some public funding, although state schools are much more dependent upon this source of funds than are private schools. In the Vocational Education and Training (VET) sector, a deliberate marketisation policy has been pursued and private providers compete with public institutions (TAFE colleges) for public funding. Phillips noted the inconsistency between the VET and higher education sectors. If the view that competition policy should be universally and uniformly applied, then the question is not whether it will be applied to the higher education sector, but when and how.

There are difficulties with marketisation and market failures are known. Asymmetry of information between providers and clients is a case of market failure. This is a well known feature of higher education provision, acknowledged by West, and has been well described by James, Baldwin & McInnes. Marginson has also discussed the limitations of market reform in higher education, in part attributable to a lack of accessible information, but due also to the positional nature of competition for places that do exist. However, the possibility of market failure has been acknowledged by those who have advocated marketisation, eg by West, and proposals to counter market failure have been proposed.

The growing demand for higher education and likely limits to the extension of the current system together with a widely supported policy of competitive provision all lead to the conclusion that private providers may be encouraged to enter the sector. If they do, they may not feel constrained to operate under the same conditions as the established public providers. In particular, they are likely to pursue particular market segments, especially the growing lifelong learning component. This segment of the market can make the least claim on public support since most of its participants will have a basic post-secondary qualification and will be seeking to develop their skills in anticipation of career enhancement and its associated rewards. However, this situation is not simply one of "steady-as-she-goes" for the

established providers while leaving a new market segment to the new entrants. Established universities that wish to grow and to increase their income by tapping into the revenue stream associated with this new segment will need to compete with the new providers. If the new providers are able to ignore some of the social and educational obligations of the regulated system, there will be pressure on current providers to conform to the conditions of the new entrants. They may choose to reduce their commitment to basic research, they may elect to discard courses that do not attract vocationally oriented students, and they may choose to implement alternative staffing arrangements.

In part, the conditions that will influence new providers to enter the market and the capacity of existing providers to expand to meet the growing demand for higher education will depend upon delivery options available to them and the funding regime that is established.

The use of communication and information technology

Information technology has become an important element of course delivery in higher education over recent years. Some see information technology as the key driver of change in higher education. Indeed, support for information technology as the key driver of change in education is at times effusive. John Chambers, CEO of Cisco, said recently: "The next big killer application for the internet will be education. Education over the internet is going to be so big it will make email look like a rounding error." (New York Times, Nov 17, 1999).

However, in this paper, it is argued that the application of information technology in supporting course delivery is an important component of the forces for change in higher education, but that it should be seen as working in concert with other drivers of change. Information technology works with demand and competition. Demand has changed, both in quantum and nature and it was previously argued that the greatest growth has been, and will increasingly be, among mature age learners who are already in the workforce. They are being recognised as a particular market segment with specific needs. Because they work, and given their age profile, have family responsibilities, they will require greater flexibility in their study arrangements. For them, work is essential and their study will be undertaken to enhance their career prospects, but study must fit around work commitments. This means that they will not have the time to attend campus at set times each week for a set period of time, say a semester. They will want to begin a study program when work commitments permit; they will want to study intensively; they may need to take time out from study if work commitments increase; and they will want to study from their place of work or from home. They will also want to engage with their teachers and other learners as part of the learning experience. For these people, information technology serves an enabling function. They will be able to access course materials when and from where they want. They will be able to communicate using the telephone, email, and online conferencing with their teachers and other students. They will prefer asynchronous communication most of the time, but will also want synchronous communication when they feel that they need it.

For new providers, the use of ICT may represent a significant cost advantage. They will not come to the sector with the baggage of real estate and extensive old buildings to be maintained. They may well have specific expertise in the all aspects of the management of IT and be able to implement it without some of the expensive and slow experimentation that has occurred in mainstream higher education. Indeed, there are many examples of professional bodies using ICT in the delivery of their programs, including QANTAS and the Australian Society of Certified Practising Accountants. By understanding the requirements of their prospective clients, they may be able to implement systems that are tailored to their target market. Thus, the use of effective and appropriate use of ICT will be an element of competitive advantage.

Funding arrangements

The history of funding arrangements for Australian universities is reviewed extensively by Coaldrake & Stedman . Essentially, the first universities were established by groups of concerned citizens and funded by bequests, by modest grants from state governments, and through student tuition fees. Later, federal funding was made available and became the major proportion of universities' funding, although tuition fees were also important. In 1974, tuition fees were abolished and universities came to rely almost entirely on federal funding. Up to this point, the public benefit of having a well educated workforce dominated public policy in relation to higher education funding and reflected what Marginson calls the "nation-building" role of universities. In 1981 a loans scheme was proposed as part of a package to require contributions from students. This proposal was defeated, but the Higher Education Administration Charge was established to extract a flat annual fee from students. By 1986, this was replaced with the Higher Education Contribution Scheme (HECS) under which students contributed a proportion of the tuition cost. The scheme offers a discounted up-front payment option or a delayed repayment through the personal taxation system, the rate of repayment being dependent upon income. Initially, this charge was independent of the course of study, but in 1997, a three-tiered differential scheme was introduced that took into account the cost of the course of study and the likely return to the individual of that course. This move gave greater emphasis to the principle that where there were private benefits, there should be private contributions.

Current debates about the level of student contributions revolve around two issues: the relative public and private benefits that arise from higher education participation and the capacity of government to fund higher education. The increasing levels of HECS charges reflect both a declining capacity or preparedness of government to fund higher education and the neo-liberal market-based reform agenda that seeks to relate payment to anticipated benefit. The differential HECS charges in particular reflect the latter consideration.

In anticipating future funding regimes, it is instructive to review the projections of Aungles, Karmel, & Wu . Their analyses show that the ageing of Australia's population, due to declining fertility and mortality, will lead to increasing costs in the health sector, relatively constant costs for social security and labour market programs (from 2000), and declining costs for education, including higher education. In a net constant pool of funding for social programs, the education sector is in competition with other social expenditure sectors for government funding. However, the analyses assume that current age-related participation rates will remain constant and that the overall level of participation in higher education at 45% is "close to saturation". These data do not show the numbers of people who have completed a TAFE award and who then enter university, nor do they show the university graduates who undertake TAFE courses. The OECD regards full participation as being at 80% . A further factor that must be considered in projecting future demand is that those people who have completed post-secondary awards are more likely to undertake further study . Thus, one must conclude that demand will rise and that the costs of meeting that demand will also rise.

The data presented earlier in this paper (see Tables 1 and 2) show that age-related participation has changed - that students over 25 years are becoming an increasing proportion of the student body. Further, given the projected demographic changes , one can expect a greater demand for higher education, and this will put higher education on a collision course with other areas of social expenditure. Clearly, if governments lack the capacity or desire to invest in higher education, and this is evident, alternative models of funding must be found. If a major component of the increased demand can be attributed to lifelong learners, especially mid-career professionals seeking to enhance their employment prospects, there is a case for those people paying a greater share of the cost of that

additional education and training. If this principle were implemented in funding policy, its effect would be to make the student the direct purchaser of an educational service from the provider with much reduced mediation by government and represent a more traditional market situation. These conditions may induce greater direct competition among existing providers and may encourage new entrants to the market.

Case Studies of Alternative Providers

Demand for higher education from the lifelong learning segment is expected to grow as a proportion of total demand for higher education. The characteristics of this group might inform providers of appropriate approaches to course delivery in the areas that lifelong learners choose to pursue. Some providers have chosen to target this segment of the higher education market and it is instructive to examine some aspects of their provision. Two of the cases that have been examined are the University of Phoenix (UoP) and Capella University (CU). They are for-profit private institutions that were established as teaching only institutions. They are 'free-standing' universities in that they have their own courses, their own staff, their own buildings and infrastructure.

Some caution must be exercised in extrapolating from these case studies to the emerging Australian higher education context. These institutions are based in the US and the situation there is rather different from Australia's. There has been a much stronger role for private higher education providers for a long time, although most have been non-profit organisations supported by bequests and alumni grants. This category of institution is absent from Australia. The funding regime of the US is rather different from Australia's. Although there are federal and state grants to universities, students contribute to the cost of their education through tuition fees. In the prestigious private universities, these fees can be quite high (of the order of say US\$30,000 per year), but in the state universities, probably the most appropriate comparisons for Australia's universities, fees are generally slightly above the average HECS contributions for Australian students. One difference is that students in the US take out loans, albeit at subsidised rates, whereas Australian students incur a HECS liability that is adjusted for inflation but that does not attract an interest charge.

The University of Phoenix

The University of Phoenix (UoP) is an example of a privately funded institution that has sought to address the needs of corporate employees. It is part of the Apollo group that was established in 1973 to meet the needs of adult and continuing learners. UoP was established in 1978 as a full-fee-paying private university specifically to meet the needs of adult professionals. It is a teaching-only institution having no research function. It employs a majority of part-time and hourly paid teaching staff although it asserts that all have at least an accredited masters degree. Most of its programs are delivered after normal working hours. It began as an on-campus teaching institution and now has 77 campuses with 13 study centres to service the needs of more dispersed students. UoP now (late 1999) has over 60,000 enrolled students. It has a well-developed teaching methodology, assigning each student to a learning group of peers. Each learning group has an instructor-mentor. Learning is based on a combination of individual and group activities.

Students enrol in only one class at a time and study in blocks of five to six weeks before moving to the next class. Although demands for flexibility might suggest that this provides a rigid framework for study, it does enable its students, who work full time, to move between periods of study and work and periods without study and thereby enables them to balance the demands of their employment with opportunities for study.

In 1989, UoP established its distance education program using computer-mediated communication to deliver its courses to remote students while still being able to retain its focus on group-based learning activities. Both the on-campus and distance education programs are accredited through its regional accrediting authority, the North Central Association of Colleges and Schools. UoP offers a range of courses from sub-degree level, through masters, to doctoral studies.

UoP is regarded by many as the most successful private for-profit university in the US. It appears to have built this by being focused on meeting the needs of adult learners who work full-time by providing an appropriate teaching and learning approach. UoP also began with a 'bricks-and-mortar' base, which it has extended geographically and then online.

Capella University

Capella University (CU) was formerly known as The Graduate School of America. It was established in 1993 and is owned by Capella Education (formerly Learning Ventures) which also owns Capella Learning, a company established to provide non-accredited staff development programs in business and education. CU is a private for-profit university.

It offers graduate level programs including individual courses (subjects), certificate programs, masters programs, and doctorates. It announced recently that it would be extending its offerings to undergraduate awards from 2000. Capella University is accredited by the [Commission on Institutions of Higher Education of the North Central Association of Colleges and Schools](#).

It has four schools: business, education, human services, and psychology. It has 750 students in its programs and boasts a substantial list of faculty. Each school has a dean who appears to be an employee of Capella and each school lists four or five areas of specialisation. The School of Business, whose dean is Steven Shank (CU founder), lists 35 faculty members. The School of Education lists 22 academic staff, but some are common to the business school. Human Services lists 20 staff and Psychology 33. Inspection of their resumes indicates that most are employees of other universities or companies or are retired. All have at least a masters degree, and all but a few have PhDs from recognised institutions.

The learning environment is rather different from that provided by most Australian universities. Each online course is of 12 weeks duration with set commencement and end dates and students enrol in one course at a time. Students are enrolled in groups of 12 to 15 and each course has a faculty facilitator. Assignments are set on a weekly basis and include individual assignment tasks and group discussion tasks. Each learner is assigned a faculty mentor.

Some common elements

Figure 1 suggests some of the complexity that characterises universities. Here only a few elements of the organisation revealed by the two for-profit universities will be considered.

Both institutions have targeted a clear market segment. UoP provides undergraduate degree programs and CU graduate programs for working professionals: that is, the emergent lifelong learning market. Their programs therefore have a strong vocational orientation.

Neither university has a research focus. Of the three "scholarships" described by Boyer, Altbach, & Whitelaw, only the scholarship of teaching is apparent in their activities. Thus, these universities have defined quite limited roles for themselves.

However, both institutions have developed particular pedagogical strategies designed to support learners and to encourage interaction among learners. Both use a facilitator-mentor model of delivery and both restrict the time frame of course modules. Cunningham et al note that UoP in particular has a strong quality monitoring framework in relation to teaching, although they do report some of the reservations that other universities have expressed about UoP's programs.

Both institutions make extensive use of part time staff. In Australia, this would be described as casualisation of the workforce. UoP describes this as a virtue as they claim that all part-time instructors are practicing professionals in their fields. CU does not publicise the part-time nature of their staff, but many either work at or have retired from other institutions. Such staffing arrangements may be seen as a threat to quality of provision and by unions as a threat to the tenure of academics. However, it also opens the possibility of academics becoming portfolio workers who are able to market their skills to multiple institutions. An academic could develop a course, then 'sell' it through several providers. The course could be re-badged by each provider to ensure that it complied with the quality and delivery standards for the institution. However, ownership of the intellectual property (IP) of the course could become a contentious issue. Even if, in acquiring a course, an institution claimed IP rights, how much change to a course would make it different from the original? Such academic work arrangements would be facilitated by the use of information technology in the delivery of courses.

The cases reviewed here have sought to segment the market, to establish for themselves limited roles compared with those pursued by comprehensive universities, they have evolved particular teaching strategies to service their clients, and they have developed novel (for universities) staffing practices. To what extent might these models be applicable in Australian higher education?

Competition Policy and the Future for Australian Universities

The case has been made that demand for higher education in Australia is likely to continue to grow and that greater provision will be required. However, much of that growth will come from the "lifelong learning" sector, specifically, mid-career employed professionals. This is a rather narrow conception of lifelong learning, but one that is likely to be the most sustained and the one that has the greatest capacity to fund its own ongoing education and training.

Concurrent with the emergence of the lifelong learning market for higher education is the likely growth of competition among established universities and the emergence of new providers. The signs are that governments either will not have the resources to make the investments required to create the needed capacity or will be unwilling to allocate resources for this purpose. Under these conditions, existing providers will need to meet the growing demand using current resources, or that capacity will be developed through the entrance of new providers to the market.

It seems clear that there is considerable potential for the application of National Competition Policy in the higher education sector. Analysis of the Hilmer Report , of the West Review , and of the Minister's cabinet submission , all suggest support for increased competition and some support for the entry of private providers into the sector. It seems unlikely that much public funding would be available for the lifelong learning market, and therefore these students would become direct clients of institutional providers and a market would thus be established. A recent proposal put to OECD Labour Ministers again raised vouchers as an equitable means of enabling access to higher education while controlling costs . The next Global Agreement on Tariffs and Trade (GATT) round is scheduled to focus on services,

including education, and this will further promote international competition and the need for alternative funding practices.

The new providers will have a more targeted focus on servicing their clients and may have substantial cost advantages as they will not pursue research (unless it is specifically funded) and they will implement alternative industrial relations practices. In 2000, law students pay 80% of the cost of their course provision through HECS payments . A provider who could mount a law course under a low cost regime may well be able to provide a high quality program at a lower cost than students are now paying, and return a profit to shareholders.

Under these conditions, established universities will need to adjust to the new environment and, in order to compete with new providers, many will need to make changes to their operations, addressing pedagogy, service standards, and input costs. The practices evident in the two case studies presented suggest some of the strategies that are available to them. It seems that a more diverse higher education sector would emerge as each university develops strategies to enable them to compete successfully.

References