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Private providers surge ahead

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PRIVATE higher education has grown so rapidly that it now represents 50 per cent of providers and 10 per cent of students, according to a new analysis.

When TAFEs and theology colleges are included, the broad non-university sector accounted for more than $290 million of the $1 billion in FEE-HELP loan funding last year.

"Almost a third of FEE-HELP funding goes to non-university providers -- that's a significant statistic," said researcher Peter Ryan, whose analysis leads the first edition of the ACPET Journal for Private Higher Education, published today by the peak private education body.

The publicly listed pathway college company Navitas alone accounted for a quarter of the sector's $290,645,420 in student loan funding.

"FEE-HELP has had the predicted consequence of fostering a significant private sector," said Simon Marginson, professor of higher education at the University of Melbourne.

"Navitas are running a large government-subsidised business."

Dr Ryan predicted that the gift of uncapped places to public universities, and the burden of regulation and reporting, would lead to more mergers and less competition in private higher education.

His analysis shows a rapid growth in providers in the early years of the FEE-HELP system.

Just over 40 per cent of the 132 non-university higher education providers were approved in the six years after 2005. Almost two-thirds (80 providers) had won access to FEE-HELP, 90 were approved to offer courses to overseas students, 23 operated in more than one state and 13 had research degrees.

In 2005, the non-university higher education sector accounted for about $30m in FEE-HELP loans, 9 per cent of the funding.

By last year, the sector's share had risen to just under $300m, representing a 29 per cent share of the total.

"Clearly FEE-HELP has been important to the private higher education industry," Andrew Norton of the Grattan Institute said.

"However, there are big players such as Kaplan or professional associations like the Institute of Chartered Accountants who have done well without it."

Gavin Moodie, higher education policy analyst at RMIT University, acknowledged the loan-driven growth of the sector but said most private providers remained small with a median student body of 233 equivalent full-time students in 2010.

The Ryan paper noted that the 2005-11 period was not simply a story of new entrants; there were nine non-university providers that bowed out during or at the end of their initial five-year period of approval.

"Some colleges just couldn't come up to scratch and were denied re-registration, some decided to work with others, some left the sector, and Cengage (formerly Thomson) just decided it didn't want to do higher education," Dr Ryan said.

After a pause during the uncertain transition to TEQSA, Australia was likely to see another round of new providers, including foreign universities, but the barrier to entry would be higher for anyone offering mainstream courses such as business and commerce, he said.

"If you're small, it is very difficult unless you're in an absolute niche market," he said.

"Any new provider that gets formed, somebody will knock on the door and say, 'Would you like to be part of our group?' "

Mr Norton said that he too had expected that the extra university places of the demand-driven system would hurt private providers.

"However the anecdotal feedback I am hearing is that there has been little observable effect," he said.

"This may be because private higher education developed through niche markets in areas universities had difficulty entering, and there is still demand for what is offered in those niches."

But he agreed that economies of scale, and the regulatory reporting burden, would drive more consolidation in the sector.

"Though the private higher education industry was the biggest supporter of TEQSA, the onerous data collection obligations (the regulator) is imposing -- along, presumably, with much more regulation to come -- will escalate the administrative costs," he said.

Dr Ryan said the advent of FEE-HELP loans had been liberating for students wanting to do specialised courses in music, film and other creative industries. "(With FEE-HELP) they could make the decision themselves because they didn't have to ask their parents for any money at all."

Dr Moodie sided with Dr Ryan in predicting the deregulation of subsidised places at public universities would slow the growth of private higher education "in mass market programs, such as business and hospitality" but not in fields such as multi-media, creative arts and alternative health.