Public-private partnership in higher education

Central Queensland University meets Campus Management Services

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Massive growth in the numbers of fee-paying international students and an increasing private sector role are two of the most salient features of Australian higher education in the past quarter century. Both these trends were evident in a little known partnership, involving a public regional university and a private entrepreneur, which had its origins in 1993. While hindsight allows us to locate this development in a neoliberal framework, this article explores the origins of the relationship and concludes that while the eventual operation was consistent with the theme of the overall decline of the university as an essentially public enterprise, the role of personalities was crucial in what was initially more serendipity than grand strategy.

Keywords: public private partnership, CQU, Central Queensland University

Higher education in Australia is conventionally regarded as the preserve of public institutions, with private universities like Bond and Notre Dame seeping into the public consciousness as the only exceptions. In reality, universities make up only a quarter of the players in the field: of 173 higher education providers identified in 2015, 43 were universities with the vast bulk of the rest being private providers (TEQSA, 2015).

Within existing public universities, separate private operating entities have been established to pursue a range of purposes, including executive education, research consultancy and foundation programs (Withers, 2014). Some universities have opted to pursue the foundation studies/pathways market through formal arrangements with private providers such as Kaplan and Navitas (Shah & Nair, 2013). The latter is (since 2004) an Australian publicly-listed company, while Kaplan is part of the US Graham Holdings Company. In addition to their arrangements with established universities, both entities offer academic programs (including at degree level) in their own right. Many universities have admission agreements, of varying degrees of formality, with private providers.

These developments can be appropriately viewed as part of the neoliberal transformation in Australian higher education from the late 1980s. As described by Marginson and Considine, ‘higher education moved from its broad role in public culture and its function in raising the level of participation of its citizens to a new orthodoxy which favours business values and income generation’ (Marginson & Considine, 2000, p. 37). Within
that framework, international fee-paying education played a key role in opening up sources of non-government income, although from the outset, some institutions were better placed than others to enjoy the fruits of this new market. As noted by Thornton, universities were not privatised as such, but have been subject to ‘the increasing application of business processes to them as if they were for-profit corporations.’ (Thornton, 2014, p. 2) As universities became more business-like, it can be contended that nowhere was this more obvious than in international education, with its focus on ‘selling’ the educational product through state of the art marketing. Indeed, many universities opted to locate the management of their international education activities outside the mainstream institutional structure, with staff terms and conditions based on business models rather than university awards/agreements. Given that such units were, theoretically at least, generating income which paid the salaries, this might be viewed as privatisation of a sort. However, it was not profit-making in the accepted commercial sense: good recruiting might result in higher salaries for those responsible, but ‘profits’ were essentially ploughed back into university coffers. But in 1993, a new model was about to emerge, a genuine public-private partnership, in which the latter partner was explicitly seeking private profit.

Australian higher education in 1993 was in a state of change, a state which had become the norm over the preceding twenty years. The election of the Whitlam Federal Labor Government in 1972 had seen the Commonwealth take over funding responsibilities for tertiary education from the States, which at that time embraced traditional universities plus a range of institutes of technology, colleges of advanced education (CAEs) and teachers’ colleges. Tertiary education fees were abolished, although the impact of this reform should not be overstated, since a majority of students in the pre-Whitlam era enjoyed an effective ‘free’ education through Commonwealth-funded scholarships or State-funded teacher education bursaries.

The Fraser Coalition Government (1975-1983) attempted to introduce a user-pays element into the system, but was largely frustrated due to its Senate minority position in the early 1980s. Where it was successful was in rationalising the number of tertiary institutions from eighty- one to forty-six, through a series of forced mergers and amalgamations of the teachers’ colleges in the sector, with many of the ‘new’ institutions now comprising two or more campuses. In Queensland, Australia’s second largest and most decentralised state, the Queensland Institute of Technology (Capricornia) had been established in Rockhampton (520 kilometres north of Brisbane) in 1967, becoming the Capricornia Institute of Advanced Education (CIAE) in 1971. It remained unaffected by the wave of mergers in 1981/82. In any event, CIAE was already dual-campus, having opened at Gladstone in 1978. In 1974, it had started its first distance education program, a development of considerable relevance for the opportunity it would grasp in the 1990s.

The Hawke Labor Government (elected 1983) pursued a program of radical change in a range of policy areas, and tertiary education was no exception. While most attention focuses on the late 1980s agenda of Education Minister John Dawkins, his predecessor Susan Ryan presided over a significant and far-reaching change in 1985 with the decision to open up Australian universities to international fee-paying students, although it is clear from her memoirs that she was not personally supportive of this development (Ryan, 1999). Prior to this, Australia’s involvement in international education was synonymous with the Colombo Plan, a program which brought thousands of Asian students to Australia, but whose motivation appears as much connected with Cold War politics as with genuine humanitarianism (Auletta, 2000). By 1991, around 54,000 international students were enrolled in higher education in Australia, of whom 48,000 were fee-paying (Beazley, 1992).

In 1988, Dawkins issued his White Paper on higher education which became the basis of a radical overhaul of what was seen as an ailing system (Dawkins, 1988). The binary divide between universities and CAEs was to be abolished and replaced by a unified national system, involving mergers and amalgamations (often euphemisms for takeovers), which would eventually reduce the number of publicly-funded tertiary education institutions from 65 to 36. In an associated development, from 1989, students would be required to pay a proportion of the cost of their education through a partial tuition fees system dubbed the higher education contribution scheme (HECS) with the increased revenue helping fund a massive increase in the proportion of Australians enrolled in higher education.

Despite the ensuing ructions affecting most tertiary institutions in Australia, CIAE again avoided any pressure to merge with another institution. With the only potential university partners being located in Brisbane or Townsville, Queensland regional chauvinism was working in CIAE’s favour. Moreover, new campuses had been opened in Mackay (1987) and Bundaberg (1988), with Emerald to follow in 1989: CIAE was nothing if not multi-campus. However, its equivalent full time student enrolment in
1988 of 2677 saw it meet the bare minimum enrolment for membership of the new unified system (2000), while falling well short of the other categories: 5000 for a broad teaching role and some specialised research, and 8000 for a comprehensive involvement in teaching and research (Dawkins, 1988). If size mattered, CIAE was near the bottom of the heap.

On the more positive side, 2,225 of CIAE’s enrolments (not EFTSU) were external students, a reflection of the institution’s emphasis on this category since 1974 (Dawkins, 1988). Dawkins’ White Paper sought to limit the offering of external studies to about six institutions: interested parties could bid to become a designated Distance Education Centre (DEC) and qualify for federal funding. In 1988, seven institutions and a Western Australian consortium of universities were named as the successful bidders, with CIAE one of them. While the separate funding for distance education was discontinued in 1994, the Rockhampton-based institution had clearly established its bona fides as a distance education provider.

In 1990, CIAE took advantage of the new environment to seek university status, preceded by a transition phase as the University College of Central Queensland, sponsored by the University of Queensland, although this does not appear to have entailed an overly-active or involved relationship. In Queensland as elsewhere, the political pressure for all institutions to be tagged ‘universities’ was irresistible. In January 1992, the old CIAE became the University of Central Queensland, with a name change to Central Queensland University in 1994.

The new University’s involvement in large-scale international student enrolments had its origins, ironically, in an approach from the University of Ballarat, itself a former small regional CAE in Victoria, en route to university status (via a sponsorship from The University of Melbourne) prompted by the Dawkins policy changes. This approach would come from business-man Mark Skinner, two of whose brothers became professors, one at Yale, one at the University of Melbourne (where Mark completed a Commerce degree). While an academic career held no attraction, he was certainly interested in universities. Reflecting this, Skinner (who had worked briefly as a journalist in Adelaide) sounded out vice-chancellors about the need for a national higher education newspaper and founded Campus Review Weekly in 1990, an initiative which seemed like niche marketing gone mad to some, with Skinner recalling the comment of a later CQU vice-chancellor Lauchlan Chipman that ‘you’d make more money out of Greyhound Weekly or something like that’ (Skinner, 2006). Nevertheless, when Skinner sold the paper in mid-1993, it had an audited circulation of nearly 35,000 and claimed a readership amongst academics and administrators in the Asia/Pacific Rim of 180,000 (CGH, 1997).

In his leadership of Campus Review Weekly, Skinner visited all universities and established a wide range of contacts, reaching the conclusion that these institutions were not overly-impressive at running businesses and that he could do better. In 1993, the vice-chancellor of the University of Ballarat, John Sharpham, had invited Skinner to make a presentation to senior staff on university branding and international education. Elements of Skinner’s presentation would be standard fare in today’s university world, but to the less entrepreneurial in 1993, the pitch possibly came as a shock, especially when delivered at 8.30 on a Saturday morning, not a traditionally active time for many academics.
Ferris was interested enough to ask Skinner to suggest an appropriate partner and he identified the University of Ballarat. Skinner then approached Ballarat seeking courses which could be offered to international students on top of pre-university programs offered by CEBC. Again, Hawkins was impressed with the possibilities, seeing the potential to develop his university's international profile. He assembled a small team which visited Sydney to explore the details, recalling...

... we went through Imperial Arcade and saw the school and everything looked outstanding and we started to draw up contracts and we were ready to offer Business Studies courses on top and we actually started. We actually had a contract and we started to offer students from Sydney direct articulation into programs in Ballarat, so it was a done deal (Hawkins, 2006).

Thus, ex-CEBC students started studying Ballarat programs in Sydney. Interstate on-site delivery had commenced.

Skinner had bowed out after effecting the introduction to Ballarat, and returned to consulting work he had been undertaking for the Australian Broadcasting Corporation. However, some weeks later, CEBC approached him again, seeking an introduction to a second university. This was not of itself significant since CEBC could have been seeking a wider range of programs for articulation than what Ballarat had to offer. Skinner's suggestion was (the now renamed) Central Queensland University and he travelled to Rockhampton to make the introduction to vice-chancellor Geoff Wilson. In 1994, CQU had 7824 students (many of whom were part-time distance education) and a staff complement of around 600 (academic and general). Its academic programs were offered by six faculties: Applied Science, Arts, Business, Education, Engineering and Health Sciences (CQU, 1994).

Wilson, a gentle ex-Science academic, might have seemed an unlikely partner in any education revolution, but he was interested enough to consider the idea. On a visit to Sydney, he and his chancellor, Stan Jones, visited the CEBC site in Imperial Arcade at Centrepoint and were impressed. Agreement was reached and Skinner undertook to effect the enrolment of twenty-four students for CQU, processing the applications and physically taking them to Rockhampton. The CQU agreement with CEBC involved the offering of a Bachelor of Information Technology, Bachelor of Arts (Tourism) and Bachelor of Arts (Hospitality) from July 1994 and a Bachelor of Business from first semester 1995. The proposal now included use of CQU's distance education materials which would augment teaching by local tutors, significantly employed by CEBC, not CQU. The distance education materials were regarded as a vital component in delivering the courses, and, as Wilson saw it, represented a clear advantage over what Ballarat had been able to offer (Wilson, 2006). Fees would be collected for CQU and then split 50:50 between the University and CEBC. After his enrolment activity, Skinner returned to his ABC project.

At this point, the CQU/CEBC relationship encountered difficulties, the first involving a taxation issue with a senior CEBC official, the details of which cannot be discussed for legal reasons. At around the same time, Skinner was advised by a former journalist colleague that the person in question had allegedly been the subject of a record number of complaints to the New South Wales consumer affairs authority across a range of business interests. To compound matters, the Channel 9 television network was developing an edition of its current affairs program *Sixty Minutes* whose main focus was former NSW premier and CEBC board member Nick Greiner. The program went to air in October 1993, with CEBC's flaws being used to illustrate Greiner's allegedly problematic business connections. Greiner responded with a lawsuit and a settlement was effected, with a promised second *Sixty Minutes* program on the issue cancelled (Skinner, 2005). However, the program which had aired had been sufficiently disturbing to concern anyone contemplating a commercial relationship with CEBC.

Geoff Wilson had seen the program, and while there had been no mention of CQU, references to the CEBC official's colourful past (including a failed health club which went into receivership) and to the relationship with the University of Ballarat, which allegedly involved the falsification of academic transcripts, understandably prompted anxiety on the vice-chancellor's part. At the very least, this sort of behaviour seemed inappropriate for an educational operation. As Skinner recalls, Wilson responded to the program by contacting him inquiring why he (Skinner) had introduced CQU to 'a bunch of crooks', and asked him to establish what was happening at the Sydney site. Accompanied by colleagues Tony Seppelt and Sheila O'Brien, Skinner (acting for Wilson) commenced an investigation of the paperwork at CEBC. After six weeks of examination, Skinner reported to Wilson and Ferris that the accusations were well founded (Skinner, 2005).

In the light of all this negative background, CQU now had every reason to abandon the exercise, and planned to do so, with a senior manager despatched to Sydney to effect the divorce. However, still attracted to the operation in principle, Wilson contacted Skinner, offering to stay...
involved if Skinner took over the CEBC role and became the partner with CQU. The CEBC board, doubtless looking for an exit strategy, was willing to move in this direction, and the end result was a new contract between CQU and Skinner's family trust, Kallawar Pty Ltd. Subsequently, Skinner created Campus Group Holdings (CGH), wholly owned by Kallawar. Under the CGH umbrella was (inter alia) Campus Management Services (CMS), the company established to market and manage CQU degrees at the Sydney campus.

At Ballarat, Sharpham had been succeeded as vice-chancellor by David James, who was unwilling to continue with what, following the accusations on Sixty Minutes, could now be depicted as a risky enterprise, unless the relevant faculty (Business) was supportive. Hawkins argued that the bogus transcripts situation was recoverable and that he and the Registrar would travel to Sydney to clean up the mess, convinced that this opportunity in international education was still worth pursuing. This failed to convince the Business faculty and James now accepted the inevitable: the Ballarat involvement was terminated (Hawkins, 2006).

From this distance, it is hard not be to be impressed with the way in which Wilson held his nerve. As difficulties emerged, it would have been utterly reasonable for him to turn away and focus on more conventional activities. But, as he recalls it, the CEBC operation seemed to be proceeding well with ‘a lot of happy students’ and he did have concerns about CQU’s complicated position if he withdrew (Wilson, 2006). As vice-chancellor, he saw securing the maximum number of students, including private ones, as his highest priority. While aware of the risks, he continued to see the venture as a good business opportunity. Skinner claims to have learnt the CQU handbook ‘backwards’, enabling him to correct CQU staff when his knowledge of the fine print proved superior (Skinner, 2005).

On the teaching side, Tony Seppelt’s recollections of the time are illuminating:

… in a lot of cases, courses, multiple courses could be taught by the same person because the offerings were actually very narrow.

What then happened was that as the small number of students actually got into their specialisations… in many cases, they’d be teaching one kid. Most personal, that’s very much why they got personal attention because the sizes of the classes were so small. But by [19]95, we had an almost working computer lab which had 40 PCs in it which was linked to the University and a number of teaching rooms. We didn’t need a great deal of facilities because it was really just white boards and chairs (Seppelt, 2006).

An agreement was struck to allow CQU students access to the library of the University of New South Wales, but Seppelt’s memory is that most ‘gate-crashed’ the more conveniently located facility at the nearby University of Technology Sydney. In terms of on-site library facilities, the decision was made to operate an ‘electronic library’, using a wide range of data bases, with a minimum of hard-copy books being kept. Given the dynamic nature of the
disciplines taught at the campus, this made good sense, although cynics might detect a whiff of virtue being made out of necessity. Seppelt is also convinced about the vital role played by CQU’s distance education expertise. With all the coursework, assignment details, readings and resource materials already produced at Rockhampton, students ‘actually got something physically tangible for their money’ (Seppelt, 2006).

At this early stage, the Sydney campus enjoyed no administrative autonomy, meaning that applications for admission, with any documentation, had to be sent to Rockhampton for approval and granting of exemptions and credit transfer. This was an additional load for staff in the north, and had the obvious potential to become a contentious issue, with industrial implications, as numbers grew.

It is significant that this model entailed the articulation of students who had already undertaken pre-degree studies with a non-university provider, and who could then transfer across to degree studies and receive credit consistent with CQU policies. Moreover, it happened that CQU had a memorandum of understanding with TAFE in New South Wales to give their students advanced standing into CQU programs. The first specific articulation agreement was with North Sydney TAFE in early 1995, one of the earliest in the higher education sector, and one which was celebrated with an appropriate launching ceremony.

Anticipating the blurring of distinctions between public (TAFE) and accredited private providers offering comparable studies, Skinner’s timing was perfect, laying the foundations for a healthy flow of students and the consequent securing of a market advantage, with CQU ultimately gaining kudos for the proportion of credit awarded for studies from TAFE and private equivalents. That said, it should be noted that many of the mainstream universities were not especially interested in TAFE or business college-type students (international or otherwise), securing adequate numbers of reasonable quality from conventional sources. Indeed, many universities exhibited an elitist hostility to TAFE and private providers and recognition of their studies, to the frustration of various education ministers and others supportive of appropriate recognition of non-university learning. It can also be observed that for universities in a strong market position, there is no obvious incentive to provide generous credit transfer arrangements. And, calculating credit entitlements takes time, and hence, money. However, at the CQU end of the market, maximising credit for prior study could confer a competitive advantage in the battle for international enrolments.

At the time, direct recruiting from overseas markets was the more common practice anyway, often preceded by university entourages descending on various educational fairs, sometimes incurring the resentment of their colleagues back home for erring on the side of lavish travel and accommodation arrangements. While Skinner’s international campuses would eventually embrace both approaches, the failure of CQU’s genuine rivals to target international students already in Australia was, in his view, further evidence of their ineptitude and inability to recognise a market which was staring them in the face (Skinner, 2005).

If money were to be made from this initiative for both Skinner and CQU, it would not come from a duplication of existing approaches in publicly-funded institutions. Two points of difference stand out. The first was the focus on the discipline areas of Business and Information Technology, which happened to be both popular with international students and (compared with the hard Sciences and Engineering) inexpensive to teach in terms of facilities and equipment. The second involved minimising the number of academic staff appointed to ongoing positions and maximising those on a casual or sessional (that is, hourly) basis. This in turn had two main advantages: a smaller payroll with no obligation to keep paying staff over the then ‘dead’ summer period and the ability to switch resources in accordance with any change of student preferences, without incurring the redundancy costs for ongoing staff whose discipline areas experience a drop in demand. In common with other universities, it also allowed the recruitment (for sessional teaching) of professionals currently involved in their industries. Underpinning all this, staff worked for CMS, not CQU, and hence were not covered by the more expensive CQU industrial agreements. There were two exceptions to this. From the outset until 2000, the positions of Campus Librarian and Head of Student Administration were filled by staff on the CQU payroll. This was viewed as a way of ensuring compliance with CQU requirements and accountability, in two key areas.

Another distinctive feature was campus location. Skinner was convinced that a central business district (CBD) site was a significant marketing advantage in the struggle for the international student dollar, with market intelligence suggesting that at the marginal decision-making level, would-be international students from Asian cities preferred a CBD or near-CBD location, with access to ethnic and cultural networks an important factor. Campuses in the outer suburbs were less attractive and campuses in regional, mono-cultural locations even less...
so. In this regard, Skinner has been completely vindicated, as a walk around any of Australia's major cities' CBDs will attest. It is impossible to miss the formidable presence of a large number of public and private providers, both higher education and vocational education and training (VET).

In passing, it is worth mentioning the absence of any university working experience in the initial leadership group. In part, this was due to Skinner naturally seeking to appoint current or past colleagues and associates whose qualities were known to him. But, equally relevant was a conviction that this model of operation would require people with business and entrepreneurial skills first and tertiary educational experience second, if at all. Indeed, university experience could be viewed as a liability if it trapped staff in old, collegial ways and left them unwilling or unable to adapt to a more managerial style of operation, with an emphasis on marketing and selling the (educational) product buttressed by a strong customer-service focus. To some extent, this view of universities was itself trapped in a time warp, since by the mid 1990s, there were many Australian tertiary institutions running on more managerialist and commercial lines, especially in regard to their international student operations, with Monash University an outstanding example.

The focus on business and information technology disciplines and a reliance on a large proportion of sessional teaching staff, would become commonplace in the private providers which would proliferate within Australian post-secondary education in the ensuing years. The disciplinary emphases would be accentuated by government immigration policy linking permanent residency entitlements with the attainment of qualifications in IT or Accounting. This was to become a controversial and contentious feature of Australia’s higher education and vocational education and training (VET).

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or part-time academic staff, 251 general staff and 294 sessional academic staff. A total of 32 academic programs (undergraduate and postgraduate) were on offer, involving 113 different units (CMS, 2007).

Obviously, CQU did not enter the relationship with CMS for reasons of altruism. Geoff Wilson had seen the partnership as one which could generate enrolment numbers and hence much needed funding for a challenged newly-created regional university, while offering educational opportunities for international students, many of whom would have struggled for admission with more prestigious providers. A later vice-chancellor, John Rickard, observed that ‘without the university’s international activity, put bluntly, I don’t think you would have a Central Queensland University in 2006.’ (Rickard, 2015) His successor Scott Bowman noted that ‘CMS fed millions of dollars into the CQ [Central Queensland] region between 1997 and 2013, and this money was used to develop full campuses at Bundaberg, Mackay and Gladstone’ (Bowman, 2013).

Ultimately, the CQU-CMS model would prove unique with its public/private partnership delivery of university level programs in the three eastern states. While several other Australian universities would open CBD sites, these were invariably on home soil. Curtin University has a campus presence outside its home state of Western Australia - in Sydney, where both university and preparatory programs are available, with the latter mediated through Navitas subsidiary Curtin College. However, Curtin’s Sydney campus is to close in 2017, but La Trobe University (another Navitas partner) maintains a campus in that city. New South Wales-based Southern Cross University offers programs across the border at a Gold Coast campus. Australian Catholic University was established from the start as a three-states/ACT operation. As much as personality-based explanations are usually best avoided, the creation of the CQU-CMS partnership seems a convincing example of the sometimes key roles of personalities: an entrepreneurial business person (Skinner) and an enterprising vice-chancellor (Wilson). The CQU-CMS model is unlikely to be replicated, but it serves as a specific example of a public/private partnership breaking new ground as Australian universities sought to cope with the emerging demands of neoliberalism.

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Note: The interviews with Ken Hawkins, (the late) Tony Seppelt and Geoff Wilson were conducted by CMS employee (the late) Tony Smith. The interview with Mark Skinner was conducted by the author.