FROM PUBLIC U TO PRIVATE U: An Atlantic Canadian Opportunity

KELVIN K. OGILVIE

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Kelvin K. Ogilvie, C.M., Ph.D., D.Sc., H.Col., F.C.I.C., was most recently (1993–2003) president and vice-chancellor of Acadia University in Wolfville, Nova Scotia. He is a leading expert on biotechnology, bio-organic chemistry and genetic engineering. His scientific accomplishments include the development of the “Gene Machine”, an automated process for the manufacture of DNA. He is the inventor of Ganciclovir, a drug used in more than 40 countries to fight infections that occur when one’s immune system is weakened.

Dr. Ogilvie became a faculty member in the Department of Chemistry at the University of Manitoba in 1968. He moved to McGill University in 1974 and in 1984 was appointed Director, Office of Biotechnology, and Canadian Pacific Professor of Biotechnology at McGill. In 1987 he moved to Acadia University to serve as Vice-President (Academic) and Professor of Chemistry.

Dr. Ogilvie has served on numerous national and international organizations, including the Atomic Energy Control Board, the National Biotechnology Advisory Committee, the National Advisory Board for Science and Technology, and the Canadian ebusiness Initiative. He has served as scientific advisor to numerous technology companies and as a consultant and expert witness for international pharmaceutical and biotechnology companies. He is a widely sought after speaker, has a number of patents, and his 150 scientific publications have received more than 5000 citations. He is currently the Chair of the Premier’s Council for Innovation (Nova Scotia) and a member of the Board of Genome Canada.

Dr. Ogilvie was named a Steacie Fellow in 1992, was admitted to the Order of Canada in 1991, and in 1992 received the Manning Principal Award as Canada’s outstanding contributor to innovation. He was identified as a Canadian Who Made a Difference in the 1988 Maclean’s Honour Roll, has received three honourary degrees, the Queen Elizabeth Golden Jubilee Medal, the Commemorative Medal of the 125th Anniversary of the Confederation of Canada, and appeared as a mystery guest on “Front Page Challenge” (1988).
Canadian universities are very different places now than they were only a few decades ago. Government grants play a significant, even decisive role in university funding, and universities face the challenge of responding to society’s expectations that they not only train knowledge workers but contribute directly to the creation of the knowledge economy that will employ their graduates.

Critics charge, however, that, as public institutions largely financed by provincial governments, universities are failing to meet this challenge — that they have become lethargic, display a lack of concern for the relevance of their curricula, and show little capability for innovation. In short, many universities seem to be run more for the benefit of faculty than of students. Moreover, they are sheltered from the accountability that market forces impose elsewhere, since provincial governments feel obliged to ensure their continued operation rather than allow such institutions to fail.

One promising approach to the challenges that Canada’s public universities face might be a return to the concept of the truly “private” university, whether run on a “for-profit” or “not-for-profit” basis. Private, for-profit educational institutions are widespread and successful in the United States, in particular, and operate with varying degree of success in other industrialized countries. Even in Britain, with its long tradition of public universities, private institutions, such as the University of Buckingham, are beginning to flourish. In Canada, in contrast, most social writers and academics decry the very idea of a private university, citing the unacceptability of “two-tier-ism” and “elitism” that such a concept supposedly represents. Despite such opposition, a few private institutions are now operating or, like British Columbia’s Sea to Sky University, are planning to do so in the near future.

For-profit educational institutions differ in several striking ways from public universities. Unlike public institutions, for-profits receive no tax-deductible donations and, like any business, pay taxes on property and income. Their tuition fees tend to be comparable to or even lower than those of institutions whose funding is largely underwritten by the public purse. They also tend to have a curriculum carefully organized to meet their clients’ — that is, their students’ — demands for employable skills, rather than leaving such matters to the whims of faculty, for whom the word “client” is often anathema. For-profits also devote resources to finding jobs for graduates and measure placement rates continuously to determine their success as educational institutions, unlike public institutions, which seem to concern themselves with the whereabouts of their graduates only when they are looking for donors.

For-profits have other advantages as well. The performance and discipline of academic staff in the classroom tend to be much better scrutinized than in public universities, where administrators are often reluctant to set foot in the classroom and where vigorous labour unions typically influence the terms of employment. Tenure is also far less common in for-profit institutions, which prefer to offer stock options or share-purchase agreements that permit professors to have a real ownership interest.
in their universities. Moreover, in for-profit institutions, governance devolves shared responsibility in line with market objectives and sound management practice, whereas public universities consider shared governance a sacred part of all aspects of operation — meaning that the faculty interest is the default position.

Rather than establishing a private institution — whether for-profit or not-for-profit — from scratch, however, a more decisive approach might be to convert a current undergraduate liberal arts university into a private institution. To that end, the study examines six such universities in Atlantic Canada — Acadia, Cape Breton, Mount St. Vincent, St. Francis Xavier, Mount Allison, and the University of Prince Edward Island — to assess their suitability for such a restructuring. The conclusion, however, is that none of the six offers more than a limited opportunity to become a for-profit, liberal education institution and in none is there much interest or will to move in that direction. Indeed, any such steps would face formidable opposition both at the political level and in the court of public opinion.

Yet, returning an existing Canadian university to private, not-for-profit status is not only possible, it may happen by accident in one or more circumstances. And the first university that deliberately takes this step would have a major marketing advantage in Canada and first-mover status with regard to corporate and private philanthropy. The re-emergence of a private, secular, liberal education university could shake up the status quo in the Canadian postsecondary education sector. What is required above all is a receptive organizational structure and the will on the part of management to take the plunge. For the future competitiveness of Canadian postsecondary education, however, the potential benefits could be significant.
Universities represent one of history’s longest continuous institutional success stories, beginning with Bologna’s in the eleventh century and those of Paris and Oxford in the twelfth. There are now thousands of universities around the world, but the lineage is recognizable even though behaviour, curriculum, and student class have changed and expanded over the centuries. Today, the range of university types, areas of focus, and means of financing is wider than ever before. Adults now account for more than 50 percent of the student population, and traditional liberal arts programs have given way in popularity to disciplines such as sociology and psychology on many university campuses.

Peter David argues (The Economist, October 4, 1997) that the “triumph of science and the demand for mass education (democracy)” account for many of the changes that universities have undergone in the past century. Those changes continue, as universities respond to society’s expectations that they not only train knowledge workers but contribute directly to the creation of the knowledge economy that will employ their graduates.

Much has been written over the past 50 years about the modern university, mostly describing it as a complex organization struggling to meet a wide variety of demands and expectations and faced with continuous financial challenges. Such analyses often depict the previous thousand years of university life as having been more tranquil: the university as a quiet place for thoughtful reflection and the disinterested pursuit of “truth”, in an idyllic and pastoral setting that allowed students and scholars to contemplate, detached and self-motivated, their places in the universe. It is highly unlikely, however, that universities, pre-1950, were such bucolic resting places; rather, history suggests they faced considerable turmoil and a constant struggle for financial support, among other challenges. Today’s universities, in fact, simply represent the current state of academic and social evolution. As that process continues, the institutions that survive and flourish are those that adapt to changing times and expectations.¹

One of the most significant evolutionary adaptations of the past 50 or 60 years has been in the areas of research and scholarly activity. Before World War II, key universities in countries such as Germany, the United Kingdom, and the United States had well-established, target-oriented research programs, but the success of war-related academic research led to a deliberate effort on the part of postwar governments to involve universities in the military-industrial complex through the funding of research. This effort, in turn, created pressure on academics, regardless of the size and location of their institution, to produce “meaningful” or “publishable” fundamental research. “Publish or perish” is now so prevalent that most people assume it has always been thus on all university campuses. It has not.

¹ For an excellent general review of the changing expectations of the role of universities, see Skilbeck (2001).
By the 1970s, academics had gained control of the “publish or perish” movement and developed a class attitude toward research types, spurning target-oriented research (applied research) and ensuring a religion of “pure” research as the only acceptable kind on campus. But now, ironically, society itself has gained real influence over the research agenda, partly because support of basic research, for which academics pushed so successfully, is now largely paid for out of the public purse, and partly because some “pure” research has generated dramatic economic and social benefits. The result is that funding of university research is increasingly tied to defined and anticipated outcomes. Politicians speak of the economic impact of university research and universities are identified as critical and essential components of knowledge-based clusters of economic activity in the new economy. And, in a different direction, the heightened awareness of the high value of research has led to the development of research institutions that are managed separately from universities and compete with them for research dollars.

Another major shift in the operation of universities since the 1950s, in Canada and elsewhere, has been the increasing role of government grants. Indeed, few people now seem to realize that, before that time, Canadian universities were private and received very little funding from government. Intended to ensure increasing access to postsecondary education, government funding became an institutionalized and major financing component, routinely contributing, by the 1970s, more than 70 percent of the annual operating budget of most universities and a significant share of their capital expansion projects.

Such soil proved fertile for the growth of a university management class that came to expect continuously expanding government funding and, by the 1980s, university managers had substantially lost their ability to imagine the need to retrench the academy or cut existing programs in order to develop new ones. As the 1990s unfolded, however, “shocked and appalled” best describes the general academic reaction to frozen, then reduced, government grants. Tuitions began to rise faster than inflation. Today, many universities face serious financial issues, while demographic changes compound their challenge to adapt.

Another evolutionary change in the perception of Canadian universities is that they are now expected to qualify students for jobs upon graduation. There was a time when just going to university and obtaining a degree conferred on the graduate a certain amount of societal respect. Today, however, the baccalaureate degree has much the same status as the high school diploma did in the 1950s: a required credential for recognition and entry to the next step of training. One often hears that the average salary of a university graduate is much higher than that of someone without a degree, and surveys suggest that most students expect university will lead to a good job. It is evident, however, that a university degree does not guarantee a job. Indeed, there are concerns over the levels of literacy and numeracy of university graduates, with employers increasingly worried that the universities are not turning out graduates prepared for the emerging world economy.

The Canadian university of today thus faces many challenges:

- how to make program changes to meet changing social and economic expectations and demands for accountability;
how to treat knowledge in a world “without borders” that is being changed rapidly by information technology (IT);
how to deal with the emergence of new providers of knowledge and training, such as corporations and “virtual” universities;
how to maintain awareness of the continually expanding and changing frontiers of knowledge;
how to empower students within the learning environment and to adapt to the consequences;
how to deal with changes in the way funding is obtained;
how to deal with changing demographics and demands for broad social access; and
how to develop a managerial class capable of leading the university through new waters.

The Academic Community as an Obstacle to Change

Critics of today’s universities charge that these vital institutions have become lethargic, that they display little apparent interest in or concern for the relevance and functionality of their curricula, and that they demonstrate little or no capability for innovation. In many universities, course schedules are determined more by the desires of faculty than by any organized interest on the part of academics in whether programs are progressive or presented in a way that permits students to graduate in a timely manner. Under the circumstances, the possibility of rapid program development in response to societal needs and changes in the body of knowledge is rare.

Despite the challenges that modern Canadian universities face, however, the academic community refuses to recognize the need for programmatic and curriculum change, and ferociously beats down any suggestion of outcome-oriented accountability. The modern university manager must lead a complex organization that contains as many non-academic employees as faculty, and must deal with representatives of numerous, often strident unions and associations. For their part, however, faculty tend to challenge any fiscal expenditure not devoted to them, and the declining share of faculty salaries in total operating budgets — although still the largest single expenditure — presents a rallying point for faculty unions. Faculty also generally fail to appreciate the importance of non-academic expertise in the university to their own survival. Student recruitment and life management, employee benefits, IT, equity, physical plant operations, fundraising, public relations, and alumni relations are all activities essential to a successful university “business” and require professional expertise outside the competence of most academics.2

If today’s universities are dismissive of non-academic support structures, they are no more concerned with the welfare of students. All too often, universities regard students, not as clients whose genuine interests and need for versatility in curriculum and program content are to be taken seriously, but as a unit of income. Internal management structures place little emphasis on the university’s “product”

2 One of the many ironies of academic culture is that, despite their disdain for non-academic expenditures and employees, faculty often turn over responsibility for programmatic and student issues management, and even academic unit management, to secretaries and assistants — and, in some instances, this is a good thing.
— its degree programs — and rarely do academic administrators have a good grasp of curriculum matters. Instead, the focus is on enhancing public support for continuous increases in funding.

Another issue of concern is that accreditation and formal accountability of Canadian universities is virtually nonexistent. Only in a few areas, such as chemistry, engineering, geology, and computer science, is there a regular review of whether the university program meets professional certification requirements. Universities often carry out reviews of their own programs but the reviews themselves, often conducted by sympathetic peers within the academic community, are subject to manipulation. Government attempts to monitor universities are weakly pursued and generally descend to an accounting exercise.

The lack of accountability on the part of universities also extends to the fate of graduates. Few universities have any real idea of the progress of their graduates. Reviews of research programs are sometimes thorough but these have little to do with the undergraduate curriculum, where, contrary to popular perceptions, there is a wide disparity in quality among Canadian universities. Accountability discussions in Canada rarely focus on the programs that universities offer, their course content and requirements, or the development and performance of the students who take them.

Canada’s public universities are sheltered, too, from the accountability that market forces impose elsewhere, since provincial governments feel obliged to ensure their continued operation rather than allow such institutions to fail.

**Private Universities: A Way Out?**

Given the challenges that Canada’s public universities face as they struggle, as institutions, to adapt once more to changing circumstances, what role might a private university play in providing a high-value-added opportunity for the students who complete its programs? Is a “for-profit” model likely to succeed, or is the “not-for-profit” university the only realistic model for a private university in Canada?

Private educational institutions are nothing new, of course, even in Canada. In the United States, private universities are widely distributed and particularly successful. Anecdotal evidence suggests that a private model would find a clear market niche in Canada. Moreover, a private university that was perceived to have a brand identity of developing trained, literate, and creative minds — minds able to contribute analytical problem solving, innovation, and entrepreneurial experience across a whole organization and thus add value to a firm’s processes, services, or products — would command a high premium.

The opportunity for a truly private university in Canada is enhanced by several factors, including the absence of a solid spectrum of postsecondary education and training programs for high school graduates and the sense that technical training in Canada has been highly devalued in the public mind. In

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3 In 2000, I undertook a project to determine the level of e-business programs in Canadian business schools for the Canadian e-Business Roundtable. The dean of one respected business school responded, “We will be developing an e-business course once a text book is available”!

4 For example, the idea of measuring the communications and analytical skills of graduates relative to their scores on entry to university through standardized testing is usually dismissed out of hand on the rare occasions that it surfaces.
response to such perceptions, both governments and the public have pressured universities to broaden access to their programs, rather than focus on the quality and value of programs to graduates in the job market. The irony is that many university students are fully aware that they are taking “easy” courses and programs with little coherence while achieving mediocre grades but then seem surprised and sometimes angry that they cannot find value added employment upon graduation. We are routinely treated to popular press articles of unemployed or underemployed university graduates but rarely do such news stories focus on the underlying issue of the content value of the programs completed or students’ performance.

The presence of a truly private secular institution, with clearly defined programs and measurable outcomes, would affect all these issues and might provide real pressure on postsecondary educational institutions in general to justify their programs and the course offerings within them.

An Outline of the Paper

Rather than examine the issues surrounding the creation of a private institution from scratch, this paper looks at the possibility of turning an existing secular, well-recognized, “liberal” Canadian university into a truly private operation — one that grants degrees but has no direct involvement by government, beyond the granting of a charter to operate, in either its governance or funding.\(^5\)

The first step is to see how private, for-profit universities work and to look at examples in other countries, to determine if any of that experience might be applicable to the Canadian context. Included in the review is a look at the few Canadian attempts to establish private educational institutions.

The next step is to examine a set of existing universities to see what kinds of challenges and restrictions might impede an attempt to take such an institution private. The universities chosen are a group of six relatively small, largely undergraduate institutions in the Maritime provinces. For each, the paper provides a brief description of its governance structure and the range of academic programs on offer, with a view to identifying characteristics that suggest the institution might be a suitable candidate for privatization. Then, the paper discusses some of the practical issues — particularly financial concerns — associated with privatization.

The paper closes with some observations about the future of for-profit universities in Canada. It concludes that, although none of the six universities in the study sample has the will to become a “for-profit” institution in the foreseeable future, it is likely only a matter of time before an existing secular, primarily undergraduate Canadian university takes the plunge to private, not-for-profit status. Moreover, the strong historical identity and high quality of likely candidates makes the potential for success high, especially for the one that is first.

\(^5\) It should be noted, however, that a private institution so defined could still receive research funding from government granting agencies such as the Natural Sciences and Engineering Research Council, the Social Sciences and Humanities Research Council, and the Medical Research Council. Such a university could also receive government grants for operations or subsidies to students provided that no strings were attached.
Private, not-for-profit universities exist in many countries, including Canada, although the majority are affiliated with religious organizations. Most of the rest, however, are for-profit institutions — some are publicly traded companies; others form a strategic part of a major, multifaceted organization and range from the employee-training programs of large industries to colleges that are an integral part of large-scale housing, entertainment, and work complexes, such as those found in southeast Asia. It is, however, the publicly traded companies, particularly in the United States, that are of the greatest interest in the Canadian context.

For-profit educational institutions exhibit all of the characteristics of an emerging business sector. The sector has had to deal with various shades of “promoters”, high-risk gambles on financing opportunities that run on the edge of the ethical and legal ether, a lack of awareness of the fundamentals of the business of education by managers and promoters, and the persistence of diploma mills. Such experiences have often meant bad publicity for a sector that is already up against nearly a thousand years of public dependence on a generally not-for-profit model in an area widely accepted as a “public good”.

Several striking differences exist between for-profit and public institutions. The for-profits receive no tax-deductible donations and, like any business, pay taxes on property and income. The publics pay little, if any, tax at any level and also receive large government grants. In Canada, local communities usually receive a provincial grant in lieu of property taxes that the public university would otherwise have paid. Canadian public universities also receive substantial government subsidies and tax-receipted donations, and may pay tax on identifiable normal business practices such as bookstores, food outlets, and the like. Public universities also disdain the idea of catering to a profit motive in higher education, even as their administrators, faculty, and alumni engage in a continuous and time-consuming cultivation of donors and their assets. Tuition at for-profit institutions in the United States, for example, is typically competitive with or lower than tuition at public institutions.

For-profit universities differ from public universities in other ways as well. For example, for-profits tend to have a determined, client-oriented approach, with curriculum carefully organized to meet defined expectations. Public universities, in contrast, leave curriculum in the hands of individual faculty members and consider the word “client” heretical. In public universities, curriculum evolves slowly, if at all; in the for-profits, the market, through clients’ demands for employable skills, sets curriculum. In addition, for-profits devote resources to finding jobs for graduates and measure placement rates continuously to determine their success as educational institutions. Public universities...
usually devote few resources to placement efforts, have little idea of the employment status of their graduates, and seek their whereabouts only to generate donor lists.

The performance and discipline of academic staff in the classroom tend to be much better scrutinized in for-profit universities, whereas public universities generally operate with great timidity in these areas. For-profit universities can evaluate students’ complaints about poor-quality teaching and academic indiscipline through the hands-on intervention of an administrator. In contrast, students in public universities who are subjected to miserable classroom performance often decline to seek redress for fear of repercussions — in the form of poor final grades or poor references — or of being identified as a complainer. Moreover, in public universities, academic administrators are often reluctant to set foot in the classroom, an action which, in any case, is likely to be prevented by union contracts.

Indeed, rather than grant tenure to teaching staff — which can lead professors to believe they actually own their institutions and to act accordingly — many for-profit universities offer stock options or share-purchase agreements that permit professors to have a real ownership interest in their universities. Moreover, the governance of for-profits devolves shared responsibility in line with market objectives and sound management practice, whereas public universities consider shared governance a sacred part of all aspects of operation — meaning that the faculty interest is the default position. Tenure is, in fact, the single biggest factor in preventing universities from dealing with incompetence in the professoriate. As officials at the University of Colorado noted recently, “it is next to impossible to fire a tenured professor.” The underlying principle of tenure — protection from arbitrary dismissal — is a deeply embedded and often useful part of labour law, but the language of faculty contracts has built a powerful protective wall around individual faculty members that goes beyond the original definition of tenure.

Finally, Maclean’s magazine’s annual review of Canadian public universities provides a clear example of the different expectations of accountability that public and for-profit universities have. The magazine’s overall rankings are generally based on input measures, with the higher the expenditure per student, the higher the ranking. One could thus argue that the real pressure within public universities arises from a spending mentality, whereas for-profits measure their success by outputs such as graduates as a share of enrollments and placement levels of graduates in the workforce.

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6 The irony is that, in private, many professors eschew “shared management responsibility”, declaring that they have no managerial or decisionmaking competence.
A look at international experience with for-profit educational institutions may provide useful background information and help to determine the viability of the concept in the Canadian context.

As a general observation, it appears that interest in private postsecondary instruction is growing and that the types of private institutions are highly varied. Some are limited to a few technical or professional training programs, while others offer a broad liberal education; some are religious based, others are egalitarian, while still others are frankly elite; some are for-profit, others are not-for-profit; some accept government funding, others take none; some are campus oriented, others are Internet-based, “on-line” institutions.⁷

The United Kingdom

In 2003, Britain’s Higher Education Authority recommended sweeping changes that would allow some existing universities to achieve a private, even for-profit, university status, a recommendation that met with an uproar from faculty union organizations. The plan would also allow existing colleges and, under some circumstances, private companies with training programs to seek university status.⁸ For our purposes, however, three current British postsecondary institutions are of interest: the University of Buckingham, BPP Professional Education, and the Open University.

The University of Buckingham

The University of Buckingham is Britain’s only private university. Officially opened by Prime Minister Margaret Thatcher in 1976, the university is a not-for-profit corporation, registered as an educational charity, and accepts no direct government subsidy. The University of Buckingham Foundation was created in 2002.

At first, Buckingham made slow progress, apparently due to uninspired leadership: clearly, the age-old experience that success in business is dependent on management strength is also true in the edu-

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⁷ An excellent source of information on universities worldwide is the Observatory on Borderless Higher Education; see web site: <http://www.obhe.ac.uk/aboutus>.

⁸ See web site: <http://www.obhe.ac.uk/products/briefings/publicaccesspdfs/EducationIndustryMap1.pdf>. Another interesting example of the changes occurring in the UK education sector is Brunel University’s recent announcement that it intends to open an academy for 16-to-19 year-olds — another back-to-the-future concept, since many universities in the nineteenth century and the first half of the twentieth had an associated academy for high school students.
cation sector. Recently, however, the university has undergone a change in senior management and is now much more aggressive. It currently has 684 students, up from just 65 when it started. Most are from outside the UK and, interestingly, nearly two-thirds are over 21 years of age.

Buckingham offers both Baccalaureate and Master’s programs and gives full degree programs in a number of areas, including business, economics, law, English, computing, and psychology. It also plans to introduce Britain’s first private medical school. The university operates around the calendar, with no summer holidays, and programs can be completed in two years. Students may enter programs three times a year, in September, January and July. Undergraduate tuition fees are about C$50,000 for a two-year program.

BPP Professional Education

Founded in 1976, BPP is the only publicly traded postsecondary institution in the UK, and it currently deals in diplomas and certificates. According to its web site, BPP’s mission is “to help people and businesses build their skills….We train for recognized professional qualifications and offer related development training to management and staff at all levels.” BPP is currently prevented from offering degree programs, but does grant a BSc degree in applied accountancy in cooperation with Oxford Brookes University; it is also pursuing further opportunities to enter degree-granting arrangements with the University of Buckingham. The company has reported positive earnings and paid a dividend over the past five years.

The Open University

Although the Open University is a public sector institution that receives government funding, it is of interest because of its record of achievement in distance education, which is often viewed as an attractive for-profit opportunity.

The Open University welcomed its first students in 1972 and now has more than 200,000 part-time students (26,000 of whom are outside the UK), nearly a quarter of all the part-time students in UK institutions. The university grants undergraduate (mainly BA and BSc) and graduate degrees along with diplomas and certificates in a range of academic programs. Per course fees range from C$620 to C$1,630. The UK’s Quality Assurance Agency rates 17 of 23 subjects in its assessment categories delivered by Open as being “excellent”. More than 70 percent of its students are employed while pursuing their studies, and two-thirds are between the ages of 25 and 44.

Other European Countries

Continental Europe has a wide variety of attitudes toward “private” institutions, but interest in this sector has grown with increasing demand for access to educational facilities and decreasing levels of government spending on higher education.
In Austria, private postsecondary institutions used to be limited largely to business and engineering programs; since 2002, however, private medical universities and a private music university have emerged. In addition, the Austrian government now permits foreign institutions to operate as universities within the country. State funding of private institutions is prohibited but local regions can provide funding. The situation is similar in Germany, which in 2002 had more than 50 officially recognized private universities and colleges with about 26,000 students, or 1.4 percent of the country’s postsecondary students. German private universities can set their own tuition fees, and many offer a single program, such as business management, law, informatics, or engineering.

In France, private institutions that are recognized by the state can receive public funding but all such institutions are free to set their own tuition fees and students can receive state support. Private institutions are heavily denominational. In the Netherlands, private institutions are eligible for public funding. In Portugal, which has had considerable experience with private postsecondary education since the early 1980s, the sector appears to be going through a restructuring phase with a significant decline in demand for postsecondary education in the country.

In many European countries, debates are under way about the desirable degree of public accountability within private institutions, with Portugal, for example, inclining toward requiring an increasing amount of accountability and Austria moving toward granting the sector a high degree of autonomy.

**Australia**

Australia has only a limited for-profit higher education sector but does have one secular private university: Bond University, founded in 1987 by Alan Bond with financial backing from Japanese interests. The university initially received all of its income from tuition fees, but then encountered financial difficulties and was purchased by Queensland University, which operates Bond as a private branch facility. The university has fewer than 3,000 students, with half coming from 60 countries.

**Asia**

The Asian marketplace in higher education is dynamic, and many businesses operate to “place” high school graduates in foreign institutions. Often, students will take the first two years of a western university program in a private facility in Asia, then transfer abroad to the affiliated university to complete the degree. Professional programs, such as business, engineering, and information and communications technology, are by far the most popular.

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9 Australia has, in fact, pursued an aggressive recruitment of foreign students, who now comprise more than 15 percent of the postsecondary student population.

10 In many Asian countries, postsecondary student enrollment is quite low by western standards, ranging from 4 percent to 20 percent of the 19-to-24-year-old age group — a clear indicator of the opportunities for service providers as the number of those seeking entry to higher education increases throughout Asia.
In Malaysia, private education institutions, which were recognized by government legislation in 1996, are fully funded by the private sector and are part of a deliberate national strategy. By 2003, there were more than 500 private colleges, 16 private universities, and 4 foreign universities with branch campuses in the country. In that same year, Malaysia attracted more than 40,000 foreign students from 150 countries to its private institutions.

Neighbouring Singapore opened its first private university, the Singapore Management University (SMU), in 2000, although with considerable state planning and financing. As its web site notes,

SMU’s aim is to be a world-class university on par with the best internationally. The SMU approach to preparing graduates for an era of unparalleled choices is a focused but broad-based education. Modeled after the Wharton School of the University of Pennsylvania, one of the world’s leading business schools, SMU’s curriculum aims to groom outstanding business leaders and creative entrepreneurs capable of excelling in a rapidly changing and dynamic world.11

Singapore also identified the establishment of a world-class research university as a national objective, and has been remarkably successful in turning the National University of Singapore into one of the top 20 in the world with major research capability and a deliberate policy to be identified as a world-leading entrepreneurial university.

The United States

The United States has more than 3,000 universities, ranging from private through for-profit to public/state institutions. The importance of the private university sector in the United States is well known, and US private universities have developed a reputation as being among the best in the world. Few educated people have not heard of Harvard and Stanford, for example — clear proof of the diverse opportunities for success in that sector. Most private universities accept some form of government financial support, whether through federal and state financial aid to students or federal and other government support of research. Some, usually with a religious affiliation, refuse all forms of government assistance.12 The most prestigious private institutions charge nearly US$40,000 per year in tuition.

Within the for-profit sector, one study estimates that, as of 2001, there were more than 600 degree-granting for-profit colleges and universities in the United States, including nearly 170 four-year universities. More than 40 for-profit universities and colleges were listed on stock exchanges, and US$4.8 billion private educational investment capital was raised between 1994 and 1999 (see Ruch

12 One interesting example is Hillsdale College, founded in 1844. In 2003, the Board of Trustees noted that its “principles and mission require the College to provide sound learning to all willing students, and to do so in a way that perpetuates the blessings of civil and religious liberty and intelligent piety in the land.” The board then went on to resolve that “Hillsdale College will continue zealously to defend and uphold, against all threats and inducements, its independence from federal government financing and federal government regulation.”
2001). Private for-profit US education providers are now among the largest postsecondary institutions, in terms of student enrollment, in the world. Several have established track records and a broad investor base, and have weathered a number of storms and appear to have developed capable management.

The best-known example of a US for-profit, publicly traded university is probably the University of Phoenix, founded in 1976 as an operating unit of the Apollo Group.\textsuperscript{13} The university, which has an enrollment of more than a quarter of a million students, offers degree programs at all levels, as well as a variety of business and technical programs, both on campus and on-line. The university’s strategy of targeting working adults age 23 and over and offering workplace-oriented degree programs in hours suited to their needs has proven to be a great success. In addition to its 140 locations in the United States, the University of Phoenix has now expanded to include operations in Puerto Rico and Canada, all the while attempting to offer a standard degree package that does not vary from campus to campus. All teaching faculty supposedly hold Master’s or PhD degrees and work in the fields they teach. The university is now looking to reduce the age requirement and to expand its program offerings into more traditional “liberal” education areas.

In addition to the Apollo Group, other major publicly traded universities in the United States include:

- the Career Education Corporation, founded in 1994, with more than 80,000 students on campuses in the United States, Canada, France, the UK, and the United Arab Emirates and revenue of US$1.18 billion in 2003;
- Corinthian College, founded in 1995, with 52,000 students largely in the United States but with 15 corporate training centres in Canada and annual revenue of more than US$500 million;
- DeVry University, including Ross University and the Becker Professional Review, created from existing institutions in 1987, with more than 85,000 students, largely in the United States but also in Canada and annual revenue of nearly US$700 million;
- Education Management Corporation, incorporated in 1962, with 58,000 students in 24 states and two Canadian provinces and annual revenue of about US$640 million; and
- ITT Educational Services, incorporated in 1946, with 38,000 students on 77 campuses in the United States and annual revenue of more than US$500 million.

The University of Phoenix and similar institutions have clearly identified market niches and have chosen to target individuals who seek entry into or advanced qualifications for the workplace. Courses are tailored to meet clients’ needs in content, timing, and delivery method, and are taught in tightly packaged units and usually in sequence to allow students to complete programs efficiently. These institutions are also aggressive in recruiting staff, identifying what they are looking for in personnel, and providing easy access to job descriptions and the institution’s hiring schedule. They emphasize information technology in every aspect of client-corporation interaction and provide

\textsuperscript{13} The Apollo Group also operates Western International University, the Institute for Professional Development, and the College for Financial Planning Institutes Corporation; it reported revenues of more than US$1.4 billion in 2003.
multiple campus locations. Their programs are market oriented, generally focusing on a particular skill set and proficiency capability. In addition, these institutions typically emphasize that their professors work in the areas they teach, and they often require that students be currently employed.

The US for-profit sector is not without significant ongoing management issues. Many have been subject to highly public investigations by the Department of Justice and the Securities and Exchange Commission. For-profits are vulnerable to federal investigations because of the high percentage of federally funded aid their students receive. Such investigations often relate to the jobs graduates obtain relative to the promises that were made when recruited. Also under scrutiny are recruitment practices, including the payment of bonuses to recruiters who exceed targets, and amounts spent on marketing,\textsuperscript{14} issues that run afoul of federal rules regarding eligibility for student aid payments.

\textsuperscript{14} The Apollo Group is reported to spend up to 23 percent of its revenues on marketing.
Universities have been a focus of high media interest in Canada for most of the past 25 years. During that period, university enrollment has grown substantially despite nearly continuous and significant tuition increases. This trend has led, on the one hand, to fears that the increasing cost of higher education threatens the social fabric of the nation and, on the other, to claims that graduates benefit substantially from the university experience and that they can, and should, pay a higher percentage of the true cost of that education.

One of the first problems one encounters in examining the state of private educational institutions in Canada is the difficulty of counting and identifying them. Orton (2001), for example, identifies 76 distinct universities, or a total of 135 if constituent colleges (such as the University of Trinity College at the University of Toronto) are counted separately. Orton states flatly that there is no “reliable source of the number” (p. 9) of private for-profit institutions in Canada or even a common understanding of the definition of a private institution, and he identifies the lack of standard reporting criteria across the provinces as contributing to the problem of developing accurate national statistics. Orton proposes a new basis for counting university and degree-granting institutions, upon which he identifies 202 such institutions in Canada, of which 199 are public and not-for-profit — including 75 that correspond to the traditional view of a university — and three are for-profit institutions.¹⁵

No matter how such institutions are counted, most social writers in Canada decry the very idea of a private university, and faculty unions across the country maintain a vigilant position against any hint of movement toward their arrival — an interesting attitude considering their lack of opposition to the few existing private universities that are denominational, such as Trinity Western in British Columbia and Redeemer College in Ontario. Further, Canadian academics and the general public make good use of private nurseries and K–12 institutions, which suggests that even though private educational facilities are strongly resisted at the university level, they appear to be acceptable from an early age through high school and in specialized postsecondary education training sectors.

The main argument against private institutions is that great Canadian eliminator weapon, the supposed unacceptability of “two-tier-ism” and “elitism”: somehow Canadians must be protected against freedom of choice with regard to postsecondary education. In 1996, for example, an Ontario government advisory panel recommended a major deregulation of existing universities and the crediting of new, private, not-for-profit universities. Not unexpectedly, “outrage” flowed quickly from

¹⁵ See also Pusser and Wolcott (2003), who conclude that perhaps the clearest distinction is that between for-profit and not-for-profit institutions.
Canadian academics and student organizations. At the same time, there are those who suspect that the real reason for the vigorous attacks on the private university concept is that such institutions might well provide a clearly identifiable advantage in quality and versatility relative to the public institutions, which would put pressure on the public institutions for higher standards of performance.

Despite some opposition and negative press, the move of several major Canadian universities essentially to privatize professional programs such as business, law, and medicine has been a success story. Queen’s University was the first to move in this direction, by privatizing its MBA program in 1994. There are also other signs that Canadians will have access to private, postsecondary education institutions, as several such initiatives are under way or in the planning stages.

**Degree-Granting Institutions**

Under the dynamic leadership of David Strangeway, Sea to Sky University, a private, nondenominational and truly liberal education institution, will start in Squamish, British Columbia, in fall 2006 when 200 students embark on a Bachelor of Liberal Arts and Science; eventually, enrollment is to be capped at 1200. The structure of this institution appears to lend itself to a for-profit operation. Another new private institution is the University Canada West, which opened in September 2005 admitting students to a Bachelor of Commerce in Technology Management. The university currently has limited program authorization, but has announced an ambitious program designed to bring it to a broad university program operation. Moreover, as noted above, some US for-profit institutions have entered the Canadian market: the University of Phoenix has a “campus” in Vancouver, DeVry operates in Calgary and Toronto, and Corinthian College has a number of locations, mainly as a result of its acquisition of CDI (see below).

In addition to branches of US institutions, there is also a Canadian online for-profit university, Lansbridge University, founded in 1999 and based in Fredericton, New Brunswick. The university reports total enrollment of 250 in fall 2004, with degree programs in an Executive Master of Business Administration (eMBA) and a regular MBA. Tuition is in the neighbourhood of C$14,000 for Canadian students or US$14,000 for international students. Athabasca University also has an extensive distance education program that is a major revenue earner. Indeed, the university’s marketing strategy resembles that of a for-profit institution in the distance education market sector.

**Other For-Profit Institutions**

Although this paper is concerned with universities — that is, degree-granting institutions — there are also several relevant examples of for-profit institutions in Canada that offer postsecondary training

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16 See, for example, Moore (2000) and Daniels (2001).

17 See, for example, Coyne (1996), who argues for removing “the underlying constraint of state patronage” as the major inhibitor of progress in higher education, and Auld (1996), who concludes, “governments should permit the establishment of private universities in Canada.”
and certificate programs. One of the most interesting is CDI College, which, with CDI Education (which delivers corporate training), is part of CDI Education Corporation. Located on 45 campuses in 27 cities across Canada, CDI College provides certificate programs in business, technology, and health care. The college began operation in 1969 and is considered a “bricks-and-mortar” institution as it operates out of fixed locations. CDI Education Corporation reported sales of $82.3 million in 2002 and was acquired in 2003 by Corinthian College for about $50 million.

Two of Canada’s most highly publicized for-profit education businesses, Knowledge House Inc (KHI) and the Information Technology Institute (ITI), originated in Nova Scotia. KHI was founded in 1984 with a mission to produce “lifelong, expert learners”, and at its peak had as many as 200 employees in six locations in Atlantic Canada. Until it ceased operations in 2001, KHI focused on the creation and delivery of innovative, technology-intensive education programs and solutions to meet the life-long learning needs of individuals and organizations. It offered Internet-based programs for all grades and at the postsecondary level, as well as employee performance support systems and services for corporate and government markets. By September 2000, KHI ranked first in year-over-year sales and employee growth among the top 101 companies in Atlantic Canada and was named New Business of the Year at the Metro Halifax Business Awards Ceremony. The following September, however, the company announced it was unable to continue operations due to a lack of financing, and it is currently at the centre of a major stock-trading litigation process.

ITI, which began in Halifax in 1984 as the Atlantic Computer Institute (ACI), followed a similarly bumpy road. The company offered a nine-month program in application development and network management to university graduates, but was soon in financial trouble and was taken over by one of its then-current students. The revived company became ITI in 1995 and began trading on the Montreal Stock Exchange. Opening satellite schools in Ottawa, Moncton, Toronto, Vancouver, and elsewhere, ITI had the capacity to graduate 2000 students each year and broadened its course offerings from strictly technical programs to include those aimed at arts graduates. Through the late 1990s, ITI struck deals with a variety of firms (such as the Royal Bank of Canada) that agreed to pay the tuition of, and offer positions to, pre-selected students. The company also expanded its operations into the United States by entering into licensing agreements with private US institutions and opening campuses in US cities. In 1998, ITI formed a partnership with Dalhousie University to offer a Master’s in IT Education and an MBA (IT). By early 2000, however, the IT industry boom had started to slow, and ITI began to lose money. The company unsuccessfully sought support from the Nova Scotia government, but its most promising Canadian locations — in Halifax, Toronto, and Vancouver — eventually were bought by Pittsburgh-based Education Management Corporation.

Although these examples offer mixed results in terms of ongoing success, they do clearly indicate that, even in Canada, opportunity exists for for-profit postsecondary education offerings. Future providers in this sector can learn lessons from KHI and ITI.
If there is a role for private — whether for-profit or not-for-profit — postsecondary education in Canada, and if one were to consider how to convert a current undergraduate liberal arts university into a private institution, what kinds of governance issues might impede such a goal?

In undertaking the research for this study, I interviewed officials and university presidents, both current and past, at several Atlantic Canadian universities. Most agreed that a model based on a high-end, quality, residential, undergraduate university with high premium tuition would succeed in Canada — especially in Ontario, due to the size of that province’s market — and soon-to-be-launched Sea to Sky University was often cited as an interesting case. Most felt that high productivity from faculty on an ongoing basis would be critical to success, though some noted concerns about faculty unionization — indeed, one university president expressed in very clear terms that faculty unions were the greatest restriction on quality and productivity gains. Most interviewees concluded that such for-profit universities would succeed only if they were perceived to offer a quality program and lifestyle experience that could demand premium tuition, and that this would require them to attract and hold high-quality faculty, develop a substantially enhanced curriculum, provide a broader all-round experience for students, and substantially enhance physical facilities.

Another university president stated flatly that even if one wanted to turn an existing institution into a for-profit — an idea about which those I interviewed expressed considerable reluctance — we do not have the managerial experience in Canada to run a for-profit university, and no Canadian would put up the kind of money needed to remove dependence on government operating grants in either a for-profit or a private, not-for-profit model. It is certainly the case that all the universities here would require a huge increase in unrestricted endowment funds or a significant increase in tuition levels in order to replace annual government grants in this area. Moreover, none has a physical infrastructure — particularly in the areas of athletic teams, general athletics, and health and fitness facilities — of a quality that could justify tuition levels similar to those in comparable US institutions, and all face significant maintenance issues and major capital renewal in existing areas.

The authority granted to each university’s senate, coupled with the management authority given away in collective bargaining,\(^{18}\) poses not only the greatest organizational challenge to a for-profit

\(^{18}\) In this regard, the universities in this study have given away significant management rights through board by-laws that usually divest direct authority to other offices and bodies, particularly to senates. Their boards have also surrendered control of most aspects of faculty appointment and review, thereby severely limiting their role in academic program development and implementation.
operation but also a potentially significant problem for a highly competitive, private, not-for-profit approach, since both models require a highly accountable organizational structure. Since academic programs would be the private or for-profit corporation’s single most important offering, the ability to ensure high quality in every program is essential for success, and a corporation whose governors had no direct quality control over this crucial product would be operating at a significant liability and risk. Indeed, the control that has devolved to university senates over all aspects of academic programs is potentially a major roadblock to taking such a university private since it could frustrate efforts to bring in an effective and progressive curriculum. A private university would need to be able to guarantee a truly progressive curriculum that met the expectations of the institution’s market position. Ironically, there is no reason in principle that a university senate could not be driving force behind progressive program and curriculum development and delivery — in fact, by definition, the senate should be the agent of this characteristic of a dynamic university. The reality is, however, that senates are made up predominately of unionized professors who see to it that the union view prevails in any academic issue that has an impact on union principles.

A secondary issue is, of course, the cost of delivery. Since the academic community as a whole, through its faculty structure and senate, has no ongoing motivation to offer academic programs efficiently, it would take skillful leadership to couple a reward program for faculty in return for quality and efficiency guarantees to meet the accountability and productivity a for-profit operation would require. This, too, would pose a significant risk to a high-end, private, not-for-profit operation.

Another governance issue is the will and quality of those who serve on boards of governors. Typically, a university’s Acts of Incorporation give its board the necessary powers to govern the institution within a private model. Yet, it is amazing to see experienced business leaders behave meekly in the face of faculty, student, or alumni demands and operate in an “avoid-conflict-at-all-costs” mode. On university boards, business leaders rarely display the serious focus they bring to their own business organizations. Boards selected by constituencies — alumni, faculty, religious organizations, and so on — are usually well intentioned but often lack the experience needed to help make effective decisions about organizations of such size, even the relatively small universities examined in this study.

As for the management authority that has been bargained away in collective agreements, although the agreements cover issues that are entirely appropriate, the terms of individual articles in those agreements make it difficult for university administrations to make merit-based promotions and to deal effectively with discipline and workloads. Ultimately, local bargaining units are highly influenced by the Canadian Association of University Teachers, whose agenda seems to be to eliminate all accountability for faculty (management rights) and reduce their members’ workload as much as

19 The exception among the universities examined for this study is the University of Prince Edward Island, which must seek lieutenant-governor-in-council approval for the purchase or sale of property assets and for major financial issues. While such a requirement does not, according to UPEI’s president, have a negative impact on the university’s current operations, it certainly would be a factor in any move to private university status.
possible. Nonetheless, it is my opinion that these collective agreements need not be an insurmountable obstacle to privatization: dedicated management, supported by a determined board, could easily re-establish sufficient accountability within one or two collective agreements. It might also encourage academics who might otherwise be intimidated by their peers in the union movement to come forward and work toward building a truly effective university operation with outstanding support for the total teaching environment and rewards based on the success of the institution and the effort of the individual.
To examine the possibility of privatizing a current public university, this study looks at six small, primarily undergraduate institutions in Atlantic Canada: Acadia University, Cape Breton University (CBU, formerly University College of Cape Breton), Mount St. Vincent University (MSV), and St. Francis Xavier University (SFX), all in Nova Scotia; Mount Allison University in New Brunswick; and the University of Prince Edward Island (UPEI). Acadia, SFX, Mount Allison, and UPEI were chosen to provide a solid representation of primarily “liberal education” institutions with clearly varied backgrounds. The first three benefit from long and accomplished histories and are “extended liberal education” institutions with a heavy emphasis on personal growth through a campus-centred life experience. UPEI, while a more recent creation, is experiencing rapid development and is the unique “university” in its province. Mount St. Vincent and CBU were chosen because they provide a range of certificate and diploma programs along with baccalaureate programs.

The study of these six institutions involved a review of publicly available documents including acts of incorporation, by-laws, collective agreements, annual audited financial statements, graduation bulletins, and university operating structures and procedures (including the role of the board and senate). I obtained data on enrollments (see Box 1), debt levels, insured values, operating costs, tuition, and degree and diploma offerings (see Box 2) from a number of sources and verified by officials in each institution. In addition, as noted earlier, I conducted personal interviews with current and recent officials and presidents.

**Acadia University**

Acadia University, in Wolfville, Nova Scotia, was founded in 1838 and has since become one of the best-known and most highly regarded institutions of its kind in Canada. It is consistently ranked as the “best overall”, “highest quality”, and “most innovative” primarily undergraduate university in the annual Maclean’s Opinion Leaders Survey. The university has been identified as a world leader through its acclaimed “Acadia Advantage Program”, which provides graduates with unequalled preparation for the e-world. The university has an approved Campus Master Plan for development for the twenty-first century and is the beneficiary of one of Canada’s finest buildings, the KC Irving Centre and the Harriett Irving Botanical Gardens, completed in 2002. On completion of its current Residence Advantage Program, Acadia will have about 1750 hotel-quality beds, compared with 350 in the private sector in the entire Annapolis Valley, which will provide the university unique revenue-generating capabilities through conference opportunities and other special functions. Moreover,
with its wide breadth of degree programs, Acadia is a “liberal education” institution well positioned to play a distinctive niche in the broader education market.

The critical act of incorporation, for the purpose of this review, was passed by the Nova Scotia Legislature in 1891 and has been modified on several occasions. The act designates a board of governors that has full corporate empowerment, including the acquisition, holding, and transfer of property, and is responsible for all the university’s financial matters. My reading of the document suggests that governors can raise funds through all legal means, including the issuing of shares, provided that the university’s governance remains as defined in the act.

### Box 1: The Challenge of Declining Enrollment

Full-time undergraduate enrollment in all of Atlantic Canada’s universities grew from 60,946 in academic year 1994–95 to 70,800 in 2004–05, representing a 16 percent increase in a decade. The six universities in this study had a total full-time undergraduate enrollment of 18,067 in academic year 2003–04. Of this total, 81 percent were drawn from Atlantic Canada, while international students accounted for 8 percent. However, with high school leaving numbers in Atlantic Canada expected to decline steadily over the next decade (see the table below), these institutions face serious competitive challenges to broaden their recruitment bases in order to maintain current enrollment levels, let alone to provide growth. In my interviews with university officials, some saw the answer to the enrollment challenge as enhancing their institution’s identity in the existing marketplace, while others saw internationalization and distance education delivery as key to the future. One institution has recognized an opportunity in Master’s programs in professional areas such as tourism and education.

An indication of the competitive challenge posed by declining enrollment may be the significant amount of advertising recently undertaken by many of the region’s universities. Another indication is Acadia University’s decision to grant admission based on Grade 11 marks. The University of New Brunswick (not one of the six examined in this study) has taken the targeting of high school students a step further through an aggressive program called “Admission on the Spot”, whereby admissions staff are on hand at designated hotels in the province at particular times to provide advice and counselling and to sign up prospective high school applicants immediately.

### Projected High School Graduation Numbers, Atlantic Canada, 2004–15

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<tr>
<td>Nova Scotia</td>
<td>12,413</td>
<td>12,164</td>
<td>11,472</td>
<td>10,423</td>
<td>9795</td>
</tr>
<tr>
<td>New Brunswick</td>
<td>9434</td>
<td>9250</td>
<td>8969</td>
<td>8231</td>
<td>7701</td>
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<tr>
<td>Prince Edward Island</td>
<td>2136</td>
<td>2054</td>
<td>1943</td>
<td>1803</td>
<td>1644</td>
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<tr>
<td>Newfoundland &amp; Labrador</td>
<td>6825</td>
<td>7052</td>
<td>6349</td>
<td>5526</td>
<td>5417</td>
</tr>
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Source: Data obtained from provincial departments of Education and from Dr. Wade Maclauchlin, University of Prince Edward Island.
Acadia is essentially a public, not-for-profit institution. A move to a completely private, not-for-profit institution would be a decision for the board of governors and could be prevented only by an act of the Nova Scotia Legislature. Such a transition could occur gradually over time, almost by default as tuitions continue to rise, or it could occur by deliberate act of the board.

Other than through a deliberate act of the provincial legislature, there are three major potential obstacles to Acadia’s becoming a private institution. One challenge would be the lack of willingness to do so on the part of the constituencies represented on the board of governors, which is composed of the following:

- nine members appointed by the United Baptist Convention of the Atlantic Provinces;
- twelve members appointed by the Associated Alumni of Acadia University;
- six members appointed by the governor in council;
- two members appointed by the board itself;
- the principal of Acadia Divinity College;
- the president of Acadia University;
- three members the student body, including the president of the Acadia Students Union; and
- three members of faculty, appointed by faculty.20

A second possible obstacle to privatization could be the role of the senate and its full control over all academic programs, including setting the curriculum.

A third issue arises from board powers that have been dealt away through collective agreements. Although the university’s act of incorporation granted the board full authority over the appointment of all employees, the board has retained the right to appoint only senior academic administrators (the president, vice-presidents, directors of schools) and full professors. Authority over all other appointments and employee hiring has been transferred to the faculty structure of the university and to employees and their representatives and is governed by collective agreements.21 For full-time professorial appointments, the president and vice-president academic have the right to challenge appointment recommendations and can, under certain circumstances, usually involving academic credentials, refuse an appointment.

Acadia’s enrollment strategy over the past several years has been to reduce its dependence on students from Atlantic Canada, who now make up 53 percent of full-time enrollment. The university also has the highest tuition of the six reviewed for this study, at $7012 for the 2003–04 academic year, where the Acadia Advantage Program gave the university a lead in a sector of the marketplace.

Finally, Acadia currently receives an annual operating grant of about $21 million from the Nova Scotia government. To replace this revenue and substantially eliminate government influence on

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20 It is worth noting that faculty, students, and alumni together control 18 of Acadia’s 37 board seats.
21 For further details, see web site: <http://admin.acadiau.ca/publicaffairs/faculty/docs/11th_coll_agree_flltxt.pdf>.
Box 2: Degree and Certificate Programs of Six
Atlantic Canadian Universities, academic year 2003–04

Acadia
Doctor of Divinity.
Certificates in Music Therapy, Applied Science, Business.

Mount Allison
Bachelor’s in Arts, Fine Arts, Science, Commerce.
Certificate in Bilingualism.

St. Francis Xavier
Master’s in Science, Education.
Diplomas in Engineering, Integrated Dietetic Internship, Jazz Studies.

University of Prince Edward Island
Master’s in Science and Veterinary Medicine, Education.
Doctorate in Veterinary Medicine, Philosophy.
Certificate in Education.

Cape Breton (then University College of Cape Breton)
Master’s in Business Administration, Education.

Mount Saint Vincent
Certificate in Accounting, Business Administration, Community Residential Services, Gerontology, Information Technology, Marketing, Tourism and Hospitality Management, Proficiency in French.
Diploma in Business Administration, Tourism and Hospitality Management.
university direction and academic programming would require either a tuition increase of about $5500 (bringing the total to nearly $13,000), a dedicated endowment of more than $400 million, or some combination of the two.

Mount Allison University

Mount Allison University consistently ranks at or near the top of primarily undergraduate Canadian universities. Located on 76 acres in Sackville, New Brunswick, with 45 buildings and more than a million square feet of useable space, the campus provides a beautiful setting for youth and learning. It has a clear reputation as a “liberal arts” institution and has been very attractive to upper-income families. Opened in 1843 in the Wesleyan tradition as an academy for boys, it expanded to include a “ladies’ college” in 1854 and organized as a degree-granting institution in 1862.

The Mount Allison University Act of 1993 updated the original article and confirmed the university as a body corporate and politic. As such, it has all corporate rights, including acquisition and disposition of property and the right to deal with all matters financial. The university’s property, used solely for educational, philanthropic, or religious reasons, is exempt from taxation and expropriation.

Control of the business and affairs of the university is in the hands of a board of 22 regents, as follows:

- the chancellor;
- the president;
- two regents appointed by the General Council of the United Church of Canada;
- two regents appointed by the faculty;
- two regents elected from among the student body;
- two regents appointed by the Federated Alumni; and
- twelve regents appointed by the board

The Mount Allison University Act also gave the board the power to appoint the chancellor, the president, and the vice-presidents or equivalent, and created a senate with the president as its chair. It is important to note that there are no government appointees on the board and that the nominating committee of the board recommends the majority of board members. The board's executive committee has no student or faculty members.22 Currently, the university’s governance structure is that of a private institution. The by-laws establish the general operation of the board and its executive committee, and provide that the university will protect regents in the case of litigation. The by-laws also ensure that the majority of members on all standing committees of the board are regents. It is particularly interesting that the by-laws create an academic affairs committee to advise the board on all issues.

22 In 1997, the Faculty Association unsuccessfully petitioned the New Brunswick government to appoint government members to the board; it is apparently in the process of repeating the request (private communication, Wayne MacKay, June 4, 2004).
relating to the general academic character of the university (curriculum, admissions, senate, and so on). The by-laws restrict the senate to exercising “the powers and functions specified in the Act. It shall determine and control the academic policy of the University, subject to the availability of funds controlled by the Board and the powers reserved to the President in the Act.” The language with regard to control of academic programs and academic policy thus suggest that the senate and board have shared authority in this area.

The current collective agreement between the university and its staff\textsuperscript{23} spells out a mechanism for determining teaching loads, granting a single three-hour course-load reduction based on past experience; one assumes that the net new teaching load will be five three-hour courses, three of them in one academic term and two in the other term — the so-called three-two concept. The university consults with the senate regarding faculty numbers, and an equity committee is involved in all stages of selection and appointment. The language of the collective agreement suggests that the “university” has the right to determine whether an offer will be made, although it also implies that decisions on tenure and promotion are in the hands of a committee, not of the board or the president. The agreement also grants intellectual property rights to faculty members.

While Mount Allison has a lengthy history, recognition, a beautiful campus, a sizable (by Canadian standards) endowment of more than $80 million, essentially no debt, a history of significant donations and important benefactors, and a governance structure that allows for effective management of the institution, the university appears to lack direction. The university did not renew the incumbent president for a full second term and has, at least in appearance, an interim president. With just over 2000 students in the 2002–03 academic year, its enrollment is the smallest of the six institutions under study here. Mount Allison also relies on Atlantic Canada for 75 percent of its students. Clearly, however, Mount Allison has the potential to operate as a not-for-profit, private university. It could also succeed in affiliation with similar institutions in other countries, particularly in the United States, although anchoring a series of such institutions in a for-profit model would require either sustained student growth or tuition fee growth in order to satisfy investors.

To be completely free of its annual $14 million government grant, Mount Allison would need to increase its endowment by nearly $300 million, or increase tuition by about $6000 — bringing the total to nearly $11,000, which would still be cheap by North American standards for a high-quality, private university experience — or employ some combination of the two.

**St. Francis Xavier University**

St. Francis Xavier, a university deeply rooted in the Roman Catholic religion, was founded in Arichat, Nova Scotia, in 1853 and was moved to Antigonish, Nova Scotia, in 1855. The university was formally incorporated in 1866 by an act of the Nova Scotia legislature that has been amended

\textsuperscript{23} See the web site: <http://www.mta.ca/hr/ee&labourrel/mafa_agreement.pdf>.
periodically, most recently in 1997. SFX has grown steadily over the past decade both in size and
in reputation, and is currently the top university in its category according to the annual Maclean’s
magazine survey. The university has conducted a major construction program highlighted by the
Millennium Centre.

The university act constitutes the governors of the university as a body corporate. The board has full
power over all the university’s property and finances and may acquire or release property in the uni-
versity’s name. The board may vary in size between 25 and 45 members and is composed of:

- the Ordinary of the Diocese of Antigonish (also serves as chancellor);
- the president of the university;
- the vice-presidents and secretary-treasurer of the university;
- the director of the University Extension Office;
- the director of the Coady International Institute;
- the president of the College of Cape Breton;
- the principal of Mount St. Bernard College;
- three persons appointed by the Ordinary of the Diocese of Antigonish;
- three alumni members elected by the Alumni Association;
- four faculty members elected by the faculty;
- nine persons elected by the priests of the Diocese of Antigonish;
- three students elected by the student body; and
- up to 16 such other members as the board itself may elect.

The act gives the board the right to appoint all employees, determine their terms of employment,
and dismiss employees, and grants the president and faculty control of all academic matters. The
university’s by-laws spell out specific delegations of authority — for example, the Ordinary of the
Diocese of Antigonish (who is also the chancellor) chairs the presidential selection committee.
Under the by-laws, the faculty, as a body, has the right to “approve diplomas, certificates and degrees”
and to veto decisions of the senate, although the senate has general academic authority over students
and programs. The by-laws direct that the customs of the senate be “subject to review and direction
by the Board” in addition to the “powers reserved to the President in the Act.” Finally, under the by-
laws, a university chaplain plans a program “to ensure that Christian witness will be an effective
force in university life.”

Together, the university act and the by-laws provide a clear management structure and process for
the university and eliminate personal liability for members and officers of the board.

The governing structure of SFX thus appears to grant more authority to the Board than is the case with
some other institutions, but this benefit is muted to some degree by the role of the Roman Catholic
Church, which clearly has significant actual and implied influence in the character of the university
and constitutes another direct authority with regard to the question of a “private” university. Having said that, however, the Church might well make the university’s transition to a private, not-
for-profit institution easier should it so decide. To the degree that the powers defined in the act and by-laws have not been conceded through employee agreements or other actions, they allow for a well-managed operation.

Until recently, SFX did not have a formal union structure with its faculty, but the university and the St. Francis Xavier University Association of University Teachers have produced a handbook that outlines terms of appointment and employment similar to those in a formal union contract. The faculty recently voted to unionize and its move to a formal union contract should be facilitated by existing practices.

To become a truly private university, free of government involvement (through funding), SFX would require identifying an annual source of funding exceeding $19 million. To generate this income through tuition fees would require an increase of about $5000 (for a total of $10,000) or a unique endowment of nearly $400 million, or some combination of these two sources of income.

The University of Prince Edward Island

The University of Prince Edward Island was founded by an act of the provincial legislature in 1969 that amalgamated two existing colleges, Prince of Wales College (opened in 1820) and St. Dunstan’s University (opened in 1831). The act, amended in 1998, describes UPEI as a not-for-profit institution operating essentially as a “state” — read, provincial — organization. The act describes the university’s property as being in the “same position as real property vested in the Crown” — the board and officers of the university have no authority to buy, sell, lease, transfer, mortgage, or otherwise dispose of real property or enter into major financial agreements, including new facilities, unless approved by the lieutenant governor in council. The university senate has power over all academic programs, and the board requires senate approval of procedures for academic and other major appointments within the university. The board must also obtain senate consent for most important developments or plans. The university is substantially limited in its powers, and any major direction requires government approval.

UPEI also has a major operating division in the Atlantic Veterinary College, which has a total budget just slightly less than that of the parent institution. This unit could be either a liability or an asset in a private or for-profit operation.

UPEI’s 18-member board is composed of the following:

- nine members appointed by government;
- the chancellor;
- the president;
- the president of Holland College;
- two members elected by the student body;

two members elected from the alumni; and
• two members elected by the board.25

Government control of the institution — both through the act and through the composition of the Board, 50 percent of which is government appointees — means that political interests would determine the institution's ultimate destination; their approval thus would be absolutely required to move UPEI from a not-for-profit to a for-profit model, and would militate heavily against a private model.

UPEI has just negotiated its first collective agreement with faculty,26 but the appointment process for faculty and chairs of departments gives the right of refusal to the president, who also ultimately makes promotion recommendations to the board.

With regard to intellectual property, the university grants all ownership to faculty members except for patentable inventions, in which case the rights must be offered first to the university. Should it pursue the patent, the university and the inventor would split the net benefits evenly; should the university decline to pursue it, the inventor would be free to reap all rewards.

UPEI currently benefits substantially from its role as the sole university in Prince Edward Island, which has a long history of using its constitutionally guaranteed place in Confederation to have an impact well beyond its small population — a position of which a politically apt UPEI president is able to take full advantage. Located close to National Research Council and Agriculture Canada facilities, among other valuable institutions, and with its Veterinary College affiliate, UPEI is in an excellent position to build for the future. The province has demonstrated strong financial support for UPEI, recently committing nearly $20 million for further capital development. For its enrollment, UPEI draws heavily from the province (83 percent of students) and Atlantic Canada (90 percent of the total). With its current leadership, however, as well as an increasingly aggressive spirit within the university, UPEI may be well positioned to increase its attractiveness both within and outside the region. The university has also been gaining recognition within the Maclean’s rankings, and was in eighth position in its category in 2004.

The powers granted by the province in terms of financial control of the institution, coupled with the general management authority within the university and its stand-alone status, offer a situation in which the current fad for public-private-partnerships could well form the basis, under determined leadership, for UPEI’s becoming a truly unique Canadian postsecondary institution. Although a move to a truly private institution would not be possible, with the right university and political leadership many of the benefits of a private institution could be achieved. A wild card, however, is the senate, which has considerable authority over many key areas of decision making. Furthermore, the high degree of government involvement could dampen enthusiasm for major private philanthropy.

25 Faculty are excluded from board membership unless as chairs of departments or other officers of the university or as members of the senate.

Cape Breton University

The College of Cape Breton, in Sydney, Nova Scotia, was formed in 1974 through the amalgamation of Xavier Junior College in Sydney (founded in 1951 as a satellite campus of St. Francis Xavier University) and the Nova Scotia Eastern Institute of Technology (opened in 1968 on the Sydney–Glace Bay Highway). In 1980 the campus was expanded, and in 1982 the University College of Cape Breton was established and given degree-granting authority. As a result, a liberal arts and science program was united with technological diplomas and trades programs. The act of incorporation was revised in 1989 and 1993, and established the board as a body corporate. The institution became Cape Breton University (CBU) at the beginning of 2005.

CBU’s board consists of the following:

- the president and a senior administrator designated by the president, ex officio;
- twelve members appointed by the provincial minister of education, eight of whom must be from Cape Breton Island;
- four members appointed by faculty;
- four students;
- two members appointed by the Cape Breton Development Corporation; and
- up to twelve members appointed by the board.

The university’s collective agreement provides administrators with authority in hiring and sets forth defined times for dealing with discipline, including dismissal. The standard teaching load is three three-hour courses each academic term. Promotion and tenure decisions rest with the president but negative decisions may be contested. Ultimate grievance decisions are settled by arbitration. On intellectual property, the collective agreement declares ownership to lie with the inventor but then qualifies that ownership to reflect a shared ownership with the university to the degree that its assets contributed to, or were used in, the development of the property. For the purposes of determining its contribution to the development of the intellectual property, the university does not include the facilities that the professor uses in carrying out his or her day-to-day responsibilities of teaching and research. The agreement also contains an interesting section on fraud and misconduct in research and related activities.

Along with its recent name change, CBU is considering expanding programs into professional areas, such as policing, and new approaches to medicine, as well as changing its approach to the curriculum. Group learning is seen as an important model, especially in business programs. Using a model where the progression is certificate (one year), diploma (two years), and degree (three to four years), CBU could expand its interaction and collaboration with the community college system to produce skilled graduates in such areas as environmental issues and energy management, while reducing offerings in the traditional trades areas. The university has identified a need for degrees for those

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From Public U to Private U
with diplomas and certificates. It also has a tourism degree/diploma program in development but seems to be in vigorous competition with another Nova Scotia university interested in the same market. This reflects the increasingly competitive situation in a small space.

Although the university’s current management does not perceive its governance structure as a problem, a major concern for CBU is that 79 percent of its students are drawn from Cape Breton Island; the geographic expansion of enrollment is thus critical. CBU’s leadership is definitive on the issue of privatization — indeed, there is no way that CBU could become a private institution since the cost of doing so would be prohibitive. Instead, the university is pursuing the DeVry model in Egypt, with considerable financial potential through a Bachelor of Technology in Manufacturing and, potentially, in Business. Students would take a diploma in Egypt and then come to CBU for two years for the degree. The university is apparently also looking at new education, nursing, and health professional programs with more flexible scheduling.

CBU has identified as a major challenge for itself the establishment of a regional development role in the minds of policymakers, with the university seeing opportunity for focused research in such social areas as the plight of retired coal miners and environmental issues such as the cleanup of the infamous Sydney Tar Ponds, which is expected to bring a billion dollars into Cape Breton over the next decade.

**Mount Saint Vincent University**

Mount Saint Vincent University, founded by the Congregation of the Sisters of Charity of Saint Vincent de Paul in Halifax, Nova Scotia, was incorporated as a body corporate in 1966; its act of incorporation was amended and consolidated in 1988. The university is “dedicated primarily to the education of women” and is empowered with full operating rights and responsibilities. Its board is composed of the following:

- the chancellor,28 president, and academic and administrative vice-presidents;
- five governors appointed by the congregation;
- three governors selected by and from the alumni;
- three governors selected by and from the faculty;
- three governors selected by and from the students;
- two governors appointed by the governor in council; and
- no fewer than twelve and not more than seventeen governors selected by the board from the community at large.

The senate has control of all academic matters, but with expenditures subject to board approval. The creation and elimination of programs and academic units, including the terms of their development, also require board approval, although the board may not take action without consulting the senate.

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28 Defined as the General Superior of the congregation.
MSV’s collective agreement\(^29\) appears to be fairly standard, with a normal teaching load of three three-hour courses each term. Intellectual property is owned by the faculty member.

While MSV plans no major changes to its current curriculum, it does anticipate the development of more graduate programs in applied areas as enhancing the university’s niche. Demand is also increasing for graduate programs in applied areas from those seeking to move up in their professions. The university has identified partnering with international schools as an important direction.

Finance is an ongoing concern for Mount Saint Vincent, particularly a lack of capital investment by the province. Atlantic Canada’s shrinking university-age population is also a concern, and international recruitment has been identified as an important aspect of enrollment management. MSV believes that there is a real market opportunity for Canadian education in the international arena, and international students are seen as enriching the local campus culture and Canadian student development. Distance education is a growing opportunity, and MSV currently has about 2000 registrations in this medium, with education programs being the biggest contributor and the Caribbean as a major focused market for them.

**Other Challenges**

The attitudes of provincial governments constitute a significant wild card with regard to the future of the region’s universities. Noises continue to be heard about government-legislated tuition freezes — indeed, New Brunswick has a history of limiting tuition increases. Nova Scotia has just signed an agreement with the Council of Nova Scotia University Presidents that will see tuitions limited to a maximum annual increase of 3.9 percent over a four-year period. In return, the province will increase annual operating grants over that period by an average of about 5 percent per year. History suggests that most universities will charge the full tuition increase, and together, the two increases would amount to a revenue hike of a size that has not been seen for more than a decade.

The biggest issue facing the six universities is finance-driven by the degree of identified capital improvement (“deferred maintenance”, currently totalling $140 million\(^30\)) as well as by enrollment sensitivity and management attitudes that look to government for redemption. However, although some Maritime provinces have recently moved to “balanced” budgets, many observers consider all of them to be in serious financial difficulty, with little or no room for innovative investments and certainly no capability to lavish money on universities. Should domestic enrollments decline quickly without compensating increases in enrollments from abroad, many Atlantic Canadian universities will face serious challenges. At the same time, however, periods of challenge provide opportunities for those with vision and a willingness to venture into new, but carefully appraised, directions — including privatization. Regardless of one’s view of the issues facing universities in this region, it is likely that the status quo on financing, enrollment base, and curriculum is unsustainable. Change will occur.

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30 Author’s calculations from data supplied by the universities.
After reflecting on the insights gained during this project, I conclude that returning an existing Canadian university to private status is not only possible, it may happen by accident in one or more circumstances. The first university that deliberately takes this step would have a major marketing advantage in Canada and first-mover status with regard to corporate and private philanthropy. Attitudes within existing universities toward private status will likely be affected by the experience of Sea to Sky University once it begins operation in 2006.

The rise in tuition at Canadian universities has meant that, for several universities, tuition accounts for a higher percentage of operating funding than does the government grant, a change that has led to an attitude within these universities that government now has a right to only a minority role. Some such institutions are beginning to think of moving toward a private, not-for-profit model, but only in evolutionary terms of tuition revenue exceeding government operating grants, not in terms of giving up government grants. Such an attitude could easily become more significant, both in time and with the development of a broad cultural attitude toward government-free governance of the institution. If tuition increases outpace annual increases in the government grant to the point that the government grant were to fall well below half of the tuition revenue and campus culture were to embrace the idea of private status, a university could take the financial step to rid itself of government influence fairly easily.

The financial implications of moving to a truly private model are relatively simple in the first instance: how to replace the annual operating grant. One direct route would be an infusion to the endowment of $300–500 million or more. The more likely alternative would be to raise tuition levels to the $10,000–13,000 per year level — a practical and possible route to privatization that would likely be highly rewarded in both the marketplace and philanthropic circles. A combination of the two approaches would seem highly possible. In the true Canadian spirit of reduced risk, a third approach would be to strike a deal with the relevant provincial government either to phase out its annual contribution over a period of up to, say, ten years or to provide an up-front infusion of $200 million or so to the endowment in return for the total and immediate elimination of the annual grant — a deal that would be good for both parties. Both Mount Allison and Acadia offer attractive possibilities for these approaches. The same principles and opportunities would apply to SFX, but the university would likely remain tied to a religious denomination and thus would not present a truly new and secular approach to a private institution.\footnote{31 Of course, other Canadian universities outside Atlantic Canada could also take the plunge based on such principles.}
It is worth noting, if only for the broad perspective, the annual philanthropic support for private institutions in the United States, where universities and colleges raised a total of US$24.4 billion in fiscal year 2003/04. Specific examples include Harvard (US$540.3 million), Stanford (US$524.2 million), Cornell (US$385.9 million), Massachusetts Institute of Technology (US$289.8 million), and Yale (US$264.8 million) (Sullivan and Willen 2005). While Canadian philanthropy is no match for such generosity, even on a proportional basis, it is likely that the university that is the “first mover” to the private sector would receive generous support from individuals, foundations, and corporations in Canada and beyond.

Any Canadian university that contemplates privatization and hopes to build an internationally recognized institution must develop modern capabilities in the following key areas: governance (including internal management organization); determined evolution of the curriculum; and effective measures of quality and accountability. The real limiting issue for the evolution of a private university is governance — that is, the effective management of the institution. Indeed, governance is the key to every other change that is required.

The first step lies at the board level. The board of a private university must be free of government representation as well as of faculty and student representation, at least at the executive committee level. The participation of faculty in debate on their own remuneration and working conditions at the board level is a conflict of interest and leads to inaction and an unfortunate climate of discussion on these critical issues. Similarly, student representation inhibits and deforms debate on a range of critical issues, including tuition. Rarely do faculty members or students recuse themselves during debate on issues affecting their respective constituencies.32 True, faculty and student input is important and a consultation mechanism involving these two interest groups is required, but the ultimate authority of the institution must be free from such conflicts of interest. All board members should be appointed, except for one or two defined members (such as the chancellor and vice-chancellor). The size of the board could vary depending on the strategy of the institution but should not normally exceed twelve. Board members should also be chosen from specific constituencies, such as alumni, that have the qualities and experience essential to governing the institution.

With a strong board in place, a privatized university would then need to deal with union contracts as a matter of urgency. The institution would have to be able to handle disciplinary matters in a timely fashion and to evaluate performance both realistically and effectively. The university would also have to ensure that its programs meet its objectives, that quality is delivered in all aspects of its operation, and that performance is appropriately rewarded. Necessary rights of management should be re-established and configured in modern terms through negotiations leading to revised union contracts.

Academic programs also need to be better managed in a private institution. The authority of the senate should be modified to give it full input on curriculum and program matters, but not the final decision.

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32 I recall one instance where a faculty member of a university board stated flatly that, since faculty salaries and other contract issues were being debated that were of absolute interest to him and his colleagues, he would insist on being present for the debate. The board chair did not challenge him, and he and the two other faculty representatives stayed put.
The current practice of having, say, five professors but only three students in a subject such as egyptology, while other programs are dramatically understaffed, should be eliminated, but this can occur only when management has the right to assign resources.

With these principal rights re-established, the privatized institution could develop a collegial dialogue and ongoing program monitoring to ensure continuous evolution of the academy. The private institution should also pay greater attention to all its students and follow their progress after graduation for a period of years. Currently, many universities concern themselves only with the top 10 percent of students, who will succeed in any case, while the remaining 90 percent of students receive marginal interest — indeed, the lower half of all students are frequently regarded with disdain, particularly by professors, who tend to resent the institution’s forcing such unwashed brains upon them.

A private university would need to develop physical facilities that are beyond the experience of any existing Canadian undergraduate university. It would have to offer programs in the areas of culture, lifestyle, health, fitness, and organized sports that are well beyond current efforts. Also required would be programs involving much greater opportunities for foreign experience, as well as programs that are more personalized for individual students.

A private university would have to develop and implement a full accountability process that usefully reflects actual value. The university ought to be able to determine the intellectual development of its graduates relative to their entry, evaluations that deal with critical thinking and communication capabilities as well as broad academic achievement.

A private university that dealt effectively with these issues would be guaranteed success in the Canadian environment and would attract philanthropy at a level that accelerates its progress and improves its distinctive higher education niche.

The re-emergence of a private, secular, liberal education university is one of the few possible ways of shaking up the status quo in the Canadian postsecondary education sector. Regardless of how weak the management or how poor the programs, no Canadian university — especially in the Maritime provinces — would be allowed to fail, for purely political reasons. Indeed, federal and provincial efforts often lead to additional support for the weakest institutions. In such an environment, there is little incentive for deliberate progress. Currently, when a university introduces a unique and innovative program, federal and provincial funding is forthcoming only once a mechanism to distribute additional funding to other institutions within the existing provincial distribution formula is created. Because there is also no reliable annual quality rating for universities, there are no public tools to challenge the status quo. The emergence of a high-quality private institution with clearly established accountability standards could change that situation, and quickly. The establishment of such a university would also change the student’s role to that of client and consumer, a concept that the academy has vigorously and deliberately kept out of the dialogue on university education. As a result, neither the student nor the general public applies even the least of the standards by which other consumer products are normally judged.
The general discussion above on re-establishing a private university in Canada covered the major issues to be dealt with — namely, governance, finance, and accountability — and suggested the possibility of a transition to private operation through evolution or default. In the case of a deliberate move to private status, however, although governance and accountability issues remain the same, financial and strategy issues would take on greater significance.

Suppose that the board of governors of a university of, say, 4000 undergraduate students, an annual provincial government operating grant of $20 million, and a total budget of $60 million decides at its spring meeting that, based on a process of careful study and consultation, the university will go private. In that event, governors might have to choose from several options, such as taking the university private on July 1 of that same year — that is, an immediate transition; moving to private status over a four-year period; or moving to private status over a ten-year period.

**An Immediate Transition**

Moving quickly to privatization would be the most challenging course in every financial respect. In the absence of preparing the community and client base for such an action over a period of years, and in building solid academic leadership, the university would likely suffer a major loss of students since tuition would nearly double immediately. Furthermore, the institution would have to identify a major source of capital infusion to build and refurbish facility and support services to justify to students the value of privatization. And unless contract negotiations had already occurred leading to a new management authority with regard to programs and performance, these issues would likely precipitate labour problems that could disrupt operations in the next academic session. Additionally, the board would have to negotiate a deal on the provincial government operating grant the university receives. Ideally, the province should agree either to continue its current annual grant for a limited time (say, four to ten years) or provide an up-front capital infusion in the order of $200 million in return for the university’s agreeing to decline any further financial assistance from government.

I conclude, however, that an immediate transition to private status would be likely only under two situations: either where the university is in serious financial difficulty and going private is generally conceded as the only way out, or where a major benefactor can be secured who has deep pockets and is prepared for a long fight.
A Four-Year Transition

A four-year transition to private status would require the university to have access to up-front capital and for it to “grandfather” tuitions and programs for students who are already enrolled. So, for example, students who had completed just their first year when the decision to privatize is taken would need protection from the full tuition of a privatized institution for three more years. Tuition increases for new students entering in the first semester after such a decision has been taken could be phased in so that, by the fourth year, they would be paying the full amount.

Under a four-year transition plan, the annual operating grant from the province could be transferred gradually to an endowment over, say, four to ten years or, as with the case of an immediate transition, the province could provide an up-front capital infusion in return for a “we will never see you again” agreement from the university. This kind of agreement would provide the necessary capital to move quickly to build a high-quality institution and to be able to reward those who perform. In addition, the university’s board should line up five to ten major committed donors. Making more efficient use of faculty’s time and restructuring program offerings could also free up several million dollars a year for program and facility enhancement.

A Ten-Year Transition

In a transition to private status that is spread over ten years, the issues are similar to those of the four-year model but with a more gradual impact. For example, the institution probably would not have to give up its government operating grant until the end of the ten-year period and might even negotiate a settlement to come into effect in year eleven. Tuitions could also rise more gradually, thus lessening the financial shock to potential new students. Such a model should be the easiest to implement provided that the university has the benefit of sustained and solid academic leadership and an effective board. The longer period would also permit a more gradual conversion of faculty and other interests based on evolving experience. Lengthening the transition would, however, challenge the determination of management to stay the course and would lack the benefit of a high-impact transition on the community at large.
After reviewing the governance structures of six Atlantic Canadian universities, I conclude that none currently offers more than a limited opportunity to form the base of a for-profit, liberal education institution. Indeed, despite the general view that a private university model could be successful in Canada, there is little interest or will on the part of any of the six to move in that direction. Rather, obtaining more, not less, government operating money seems to be the main goal of the leadership of these institutions. Moreover, even if privatization were seriously pursued, other institutions, particularly in Nova Scotia and New Brunswick, would vigorously oppose such a move both at the political level and in the court of public opinion.

The success of a for-profit operation generally requires opportunities for shareholders to benefit in the long term from annual dividends or a sustained return on their investment through increased share prices. For the six institutions reviewed here, those opportunities arise from the possibility of sustained tuition increases on a relatively stable enrollment or the formation of a consortium of similar institutions on a national or international base.

One model for the latter approach is found in the for-profit Quest, or Kaplan Higher Education Corporation, with 67 colleges and schools located in 16 US states, whose market niche is the

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33 Interestingly and perhaps ironically, UPEI offers a unique opportunity for a high degree of creativity despite the provincial government’s authority over the institution. As the only university in the province, UPEI could tie its future directly to government policy in building the province’s economy. A like-minded premier and UPEI president, supported by cabinet and board, respectively, could propel the university in any direction. Politicians would be unencumbered by the need to treat several universities equally, and UPEI could not be undermined by sister institutions dedicated to preventing it from developing an advantage through its distinctiveness. Such a model, although not a truly private one, is similar to developments in Singapore and Malaysia, and could lead to a unique and attractive postsecondary institution.

34 Opposition would also come from those who would object to the privatization of capital assets that have been paid for through public money since the 1950s, when governments began subsidizing postsecondary institutions in a significant way. In the case of Mount Allison, however, the university has received no contributions from the province of New Brunswick for the construction of new buildings (although it has received some funding for a few specific renovations of existing facilities). Both Acadia and St. Francis Xavier have received capital contributions from the province of Nova Scotia toward the construction of academic buildings — in Acadia’s case, the total is in the order of $30 million over the past 50 years. However, when one considers that the current insured value of all campus buildings averages $212 million over all six universities, the government contribution is small. Moreover, for most of these universities, buildings have been constructed over a period of more than 150 years and include residences and administrative buildings as well as academic buildings. In the worst-case scenario, the university could reimburse the province for capital contributions.

35 See web site: <http://www.kaplancollege.edu/khe/about/default.aspx>.

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acquisition of public/private schools and colleges. Quest generally retains the historic name of the
college and grows by acquiring colleges in difficulty and integrating them into a network operation.
Identifying strategically located public/private universities with a tradition of academic excellence
and bringing a solid management approach to each institution could provide the base of a major
opportunity. Acadia or Mount Allison could, in principle, be anchor institutions of such an approach,
and St. Francis Xavier could easily form an association with religious-based institutions. However,
the probability of such a development is low at this time.

Another potential market for a focused, for-profit university is Asia and the Middle East. Countries
in this region appear to prefer to send students abroad rather than build the necessary infrastructure
to educate them all at home, and have recently broadened this strategy to allow foreign universities
to set up satellite operations within their borders. This innovation presents a unique opportunity for
western, for-profit institutions to capitalize in a number of ways. Asian interest in the for-profit
model could also lead to the foreign takeover of a Canadian privatized institution.

The transformation of an existing Canadian, primarily undergraduate university into an identifiable
brand aimed at national and international markets appears to be feasible. To use any of the univers-
ities in this study as a base for a for-profit development, however, would require dynamic, com-
mited leadership and financial backing in the order of $500 million or more. The new corporation
would have to deal with the loss not only of its annual government operating grant but also its spe-
cial tax status and other benefits. The drive for for-profit status would thus have to come from out-
side the universities and is almost certain not to occur in the near future. Conversion to a for-profit
operation would also likely face strong political opposition.

On the other hand, the conversion of an existing secular, primarily undergraduate university to a
truly private, not-for-profit model is clearly possible and may be inevitable. A number of Canadian
universities have reputations that make the potential for success high, especially for the “first mover”.
Indeed, the opportunity for privatization is not limited to the small, primarily undergraduate univer-
sities discussed in this paper, since, in my view, McGill University and Queen’s University, for exam-
ple, are ideally suited for this kind of development. What is required above all is a receptive
organizational structure and the will on the part of management to take the plunge. For the future com-
petitiveness of Canadian postsecondary education, however, the potential benefits could be significant.


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Conferences


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