

EducationInvestor

September 2010 vol 2 • no 7

news and views on the business of learning

Demolition man

School builders reel from Gove's cuts

Willetts' kite

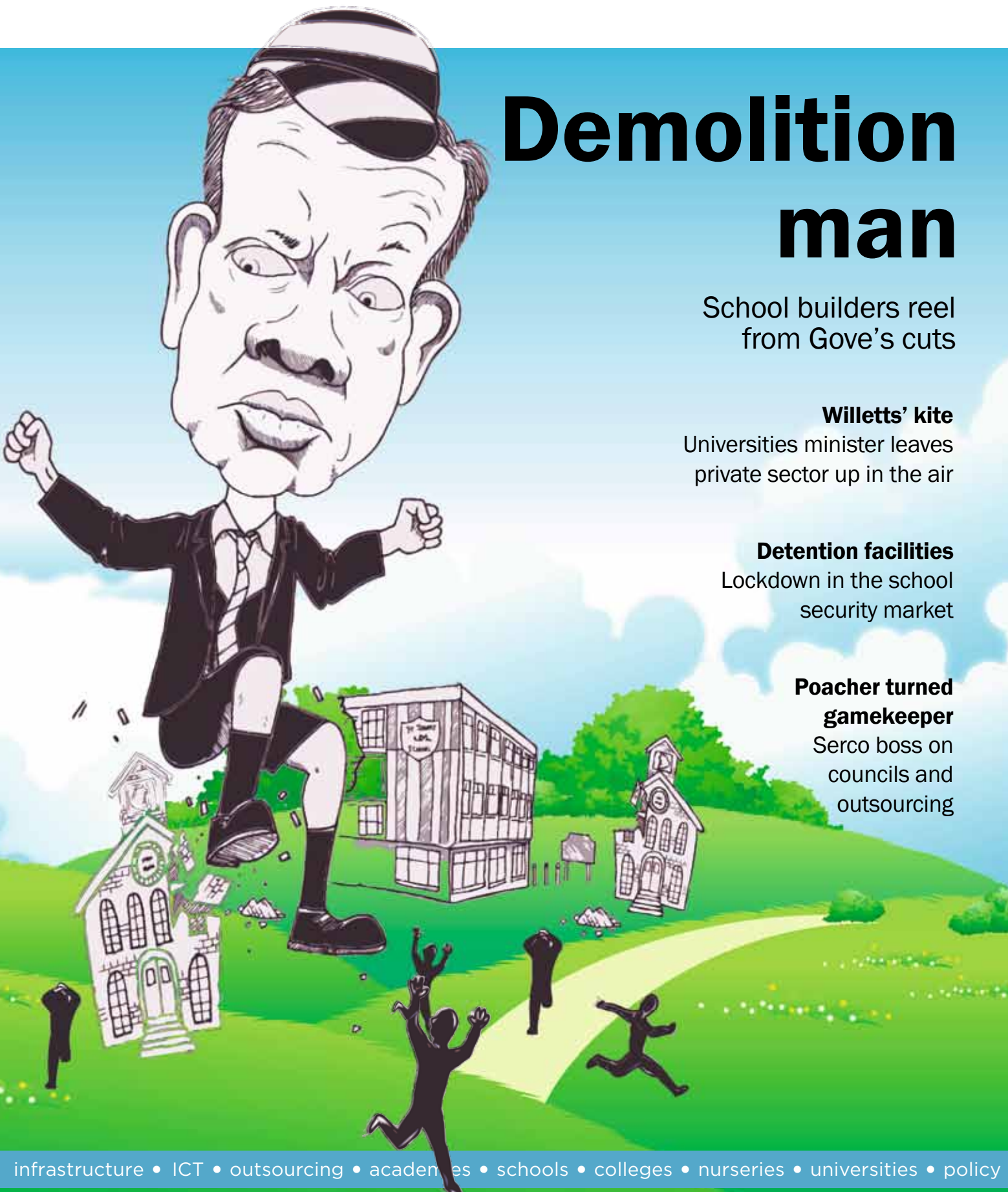
Universities minister leaves private sector up in the air

Detention facilities

Lockdown in the school security market

Poacher turned gamekeeper

Serco boss on councils and outsourcing



Taxing questions

Education firms will be hoping the business secretary abandons ideas for a graduate tax

Who'd envy Lord Browne? The former BP boss is charged with deciding how Britain will pay for its universities. And whatever he decides, he'll be the most loathed man in Britain before the year is out. If, as widely expected, he raises the cap on the fees that universities can charge their students, he will instantly become a hate figure to an entire generation. He's also likely to carry the can for the untimely demise of those weaker universities that find that too few will pay £7,000 for their wares, and that they can't survive without government subsidy.

If, on the other hand, Browne decides to leave the fee cap be, he'll be damned for his failure to put the sector back on a secure financial footing. Vice-chancellors will forever slate him as the man who wrecked any hope Britain had of retaining its academic reputation.

So it might be tempting for Browne to take a convenient third way, that could generate revenue without plunging students into the red. A graduate tax would limit the risk of 18-year-olds being put off university by the thought of £20,000 of debt. The heaviest burden would be borne by those who could best afford it, making it less likely that bright graduates are put off entering lower-paid professions like teaching. And the money could be distributed in such a way as to ensure that no university were forced to close.

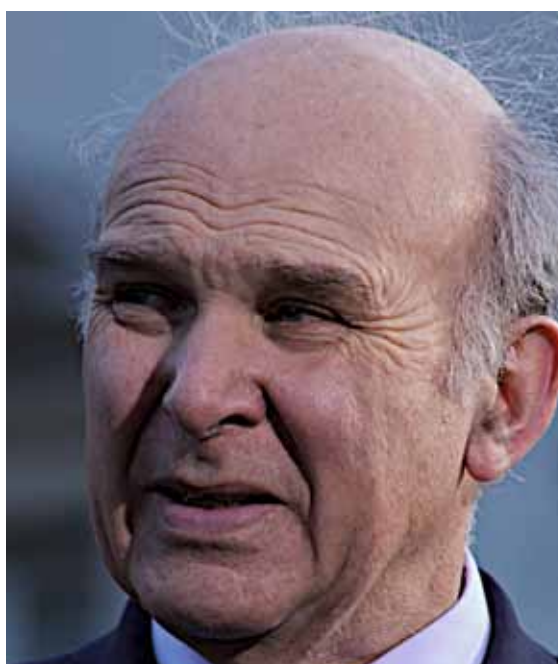
The idea has attracted some important backers – not least Vince Cable, the cabinet minister responsible for higher education, who has spoken favourably about a 'variable graduate contribution'. But it's one Lord Browne should leave well alone, for a whole string of reasons. A graduate tax would break the link between students and institutions, perversely leaving universities more dependent than ever on government money. It would make student debt impossible to pay off, and force the Treasury to spend more on universities for years to come. It would risk a brain drain, as top earners take their business elsewhere to avoid it.

And it's not even clear that the problem it's intended to correct actually exists. True, surveys have found that higher fees would put potential students off university. But surveys found the same thing before fees were introduced at all, yet student numbers continued to soar. The evidence from countries like the US suggests that mountainous debt isn't quite as off-putting as it first appears. If anything, higher fees make students more discerning customers.

Perhaps most damagingly of all, though, a graduate tax would remove the incentive for new providers to enter the system. At the moment, Britain has 150,000 more students than places to teach them, and private firms like BPP and Kaplan are queuing up to help fill the gap. Higher fees would help break the market wide open.

But those firms will find it much, much harder to compete in a world in which other universities are effectively free. Introducing a graduate tax would make it much less likely that they could offer any significant boost in capacity.

Ministers have also spoken approvingly of the idea of increasing the private sector's role in higher education. They should recognise that such is incompatible with Cable's funding plans. Lord Browne should think again – no matter how loathed that makes him. ■



In this issue

After his decision to scrap the Building Schools for the Future programme, education secretary Michael Gove is another candidate for the title of most loathed man in Britain. But despite weeks of bad publicity and finger pointing, there remained two big unanswered questions. One is what happens now to everyone that had invested time and money in the programme. The other is what it is that will replace it (page 20).

Elsewhere, we look in detail at the prospects for more private higher education (page 24), and the wobbling market for school security equipment (page 28). We talk to Serco education boss Elaine Simpson about the future of council outsourcing (page 36). And we look at how listed education firms are faring with shareholders (page 32).

Plus all the usual news, views and analysis, starting from page 6.

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EducationInvestor

Investor Publishing Ltd
6th Floor, Greener House
66-68 Haymarket
London, SW1Y 4RF

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