

## COSTS, INNOVATION AND CHANGE

The Commission's report offers some interesting observations about the issue of the cost of studying for a degree, but appears to be unable to make any fundamental recommendations concerning how these costs might be contained. This is of concern because clearly the New Zealand government in the face of other demands in areas such as healthcare and benefits for the socially disadvantaged, is in no position to significantly increase funding for the HE sector. Hence unless ways are found to reduce operating costs within the sector, an increasing number of students will face the reality of graduation burdened by heavy debts or alternatively, some students (and especially those from socially disadvantaged backgrounds) will be dissuaded from entering the HE sector. Given New Zealand is a knowledge-based economy, this latter outcome will be detrimental to the nation's long term economic prospects.

The report does accept that technological disruption has potential to assist in the provision of HE courses but appears to conclude available evidence suggests that online distance learning only offers a relatively limited pathway for change. This perspective is one which is supported by the university sector in New Zealand and elsewhere in the world. This is possibly because there is a preference among Vice Chancellors, similar to the music industry's legal attempts to block free downloads, to ensure online education is not accepted as a preferred service provision model.

Over a decade ago, the UK government funded the University of Plymouth to undertake a project to research and assess the role of the Internet as an alternative educational delivery vehicle. The project was undertaken by a spin-off company created by the University. After eight years the project had demonstrated that (i) online education could be delivered at one third of the cost of an equivalent terrestrial programme, (ii) a 90+% student learning satisfaction could be achieved (c.f. the average of 45% satisfaction for terrestrial provision) and (iii) even with part-time courses, retention rates in excess of 70% could be achieved. When a recommendation was made to the University to adopt the approach across the institution, the senior management reaction was to immediately close the courses being delivered and to shut the company down. The reason given was the project was "incompatible with the University's long term strategy". Anecdotal evidence suggests this statement reflected management concerns that offering online courses at a fee level one third of that charged for terrestrial provision would create price dissonance for the institution.

In theory the UK government could have used the project outcomes to mandate the HE sector expand the use of online distance learning to reduce course fees. For example based upon the outcome from the Plymouth project a funding model for the HE sector requiring that 30% of future provision of course should be online was proposed. The response to this idea was that the government lacked the legislative powers to mandate the way in which the HE sector actually delivered educational provision.

Another argument that is made by Vice Chancellors for rejecting the lower cost online model is the provision can never match a terrestrial on-campus experience. Given that the Plymouth project achieved student satisfaction higher than that for equivalent terrestrial programmes

there are grounds to question the rationale for this senior management perspective. Could it be for example the revenue flow from activities such as providing accommodation and catering services is a critical source of cash flow without which universities might face financial problems? This observation also prompts a comment about the Commission's limited coverage of productivity within the HE sector. Analysis of the annual reports for virtually all universities does reveal rapidly increasing operating costs. However an analysis over a 5-10 year period will reveal that in most cases expenditure on academic staff remains virtually flat, whereas expense on administrative staff has risen exponentially. Should such an outcome be apparent in private sector organisations, this would have resulted in strong demands from stakeholders for urgent action to be focused upon examining strategies for greatly improving employee productivity.