

TUITION FEES-BASED COMPETITION: AUSTRALIA IN PERSPECTIVE

AIEC 2013

DISCLAIMER

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AGENDA

Housekeeping

International Tuition Fees: The Global and the Australian Context

Methodology of Tuition Fees Benchmarking

Perspectives from the International Tuition-based Competition Database

Competing with Added Value

Discussion

HOUSEKEEPING

- **20 + 5 minutes presentations**
- **5 Minutes are set aside for questions and discussion.**
- **The presentation will be made available on the AIEC and ICG websites.**

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A BASELINE VIEW ON INTERNATIONAL TUITION FEES

- **International Higher Education Economics (2012):**
 - Education spending worldwide is accounted for around USD 2.2 trillion (Worldbank, ICG).
 - International higher education spending accounted for around USD 120-140 billion (ICG).
 - International tuition fees account for about one-third of the aforementioned.
- **International Tertiary Students (2011):**
 - Total international tertiary enrollment: 4.1 million (OECD).
 - Students in “high international tuition fees” countries: Around 1.7 million (ICG).
 - International tuition fees account for about one-third of the aforementioned.
- **Logic and Development:**
 - Despite certain beliefs, tuition fees as such do not discourage international student enrollments. Perceived and actual value are more important.
 - (Differential) fees for international students have proliferated over the last 25 years – from Australia to Sweden.
 - Overall policy trends favor a shift towards more differential fee models.

INTERNATIONAL TUITION FEES: THE GLOBAL CONTEXT

- **The total cost for international education participation has increased notably over the last two decades.**
- **At the upper range some bachelor's degree programs now require an investment of more than to USD 300,000 for an international student.**
- **At the same time a number of higher education institutions have become dependent on international tuition fees revenue to drive their institutional budgets.**
- **At this scale of magnitude institutions can no longer use traditional policy models to set tuition fees.**
- **Mis-positioning of tuition fees pricing can result in negative outcomes for institutions:**
 - **Lost revenue**
 - **Reduction of quality student intake**
 - **Damage to institutional brand**

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METHODOLOGY OF TUITION FEES BENCHMARKING

Overview: International Tuition-based Competition Database

- **ICG's International Tuition-based Competition Database (ITBCD) contains over 7,000 individually benchmarked undergraduate and graduate programs (base: 2013 fees; 2011 to 2016 modeled also loaded):**
 - **6,200+ university programs**
 - **600+ art and design institution programs**
 - **200+ college programs**
- **Data has been compiled for tuition fees, additional fees, and cost of living for all 7,000 programs.**
- **Calculations reflect monthly increments, reflecting academic years with durations of 8 to 11 months.**
- **Institutions on four continents (Asia, Australia, Europe, and North America) are covered.**
- **2,200 hours of research total, 400 hours for cost of living alone**

The 2014 update will add 1,000s of additional programs

METHODOLOGY OF TUITION FEES BENCHMARKING

Tuition Fees: Research Overview

- **International tuition fees were captured from the perspective of an international student.**
- **All tuition fees sourced were retrieved from publicly available sources:**
 - **Websites**
 - **Academic Calendars**
 - **Viewbooks**
- **Degree programs covered include:**
 - **Bachelor's**
 - **Honors (Undergraduate)**
 - **Master's**
- **Doctoral degrees are currently not covered:**
 - **Ph.D.'s, D.Phil., etc.**
 - **Law (JD etc.)**
 - **Medicine (MD etc.)**

METHODOLOGY OF TUITION FEES BENCHMARKING

Tuition Fees: Considerations

Fees

- Per Credit
- Per Unit
- Per Term
- Per Year
- Per Program

Requirements

- Credits
- Units
- Terms
- Years

Fee Fluctuations

- Static
- Constant Rate
- Floating
- Entry-exit guaranteed
- Cohort-based (constant)
- Cohort-based (floating)

METHODOLOGY OF TUITION FEES BENCHMARKING

Cost of Living: Research Overview

- **Cost of living is an area of an international student's overall cost portfolio that institutions often overlook when setting tuition fees.**
- **Cost of living is often the highest portion of an international student's budget.**
- **ITBCD covers two different methodologies for cost of living data:**
 - **Institutional Estimates**
 - **ICG's Standard Model for International Living Expenses (SMILE)**
- **SMILE was created as an independent assessment tool, due to the fact that many institutions significantly underestimated cost of living in their official projections to international students.**

METHODOLOGY OF TUITION FEES BENCHMARKING

Cost of Living: Expense Categories

- **Rent/Housing – Expenses for on- and off-campus rent and utilities.**
- **Food**
- **Books – Expenses on books and stationery.**
- **Transport – Public transportation expenses.**
- **Communication – Ongoing expenses for using a phone and accessing the Internet and television services.**
- **Health Insurance**
- **Apparel – Expenses for clothing and shoes.**
- **Entertainment**
- **Travel – Estimated price of a return ticket from Beijing/Shanghai to the closest major airport to the institution's location (annual).**

METHODOLOGY OF TUITION FEES BENCHMARKING

Cost of Living: MIN-MAX and SMILE

- **ICG's MIN-MAX approach**
 - **Estimating cost of living ranges for today's highly diverse and economically highly disparately resourced international student pool is subject to a high degree of uncertainty and variation.**
 - **To address this issue, ICG designed a MIN-MAX approach. Cost of living is thus calculated on the basis of the minimum (MIN) reasonable level of cost positions for the maximum (Max) number of (typical) students.**
- **ICG's Standard Model for International Living Expenses (SMILE)**
 - **SMILE estimates the average on- and off-campus standard minimum expenses incurred by a student. The typical student referred to in this model would be living in shared accommodation and using public transportation.**
 - **In order to ensure consistency and reliability, the research is based on institutional data, external data, and a combination of both. Sources other than institutional data include national household expenditure surveys and search engines for housing and airfare.**

METHODOLOGY OF TUITION FEES BENCHMARKING

Additional Fees: Research Overview

- **Additional Fees are any fees charged to international students, beyond tuition fees.**
- **Includes: Student service fees; technology fees; program fees; etc.**
- **The ability to levy additional fees varies by national jurisdiction and the type of higher education institution.**
- **Additional fees are often a hidden way institutions extract further revenue from international students.**
- **ICG has analyzed additional fees at a program level.**

METHODOLOGY OF TUITION FEES BENCHMARKING

Banding: Research Overview

- **In order to establish a strategic perspective on research universities' market power and brand in relation to international tuition fees setting, ICG undertook a banding exercise.**
- **Research universities were segmented into twelve major bands through aggregated major international university rankings.**
- **Each band corresponds with a particular level of market power.**
- **Bands can be used to broadly segment markets for international research universities.**

METHODOLOGY OF TUITION FEES BENCHMARKING

Overview of Twelve Major Brand Bands

Bands

- **Band 1:** Top 9
- **Band 2:** Top 25 (i.e. 10-25)
- **Band 3:** Top 50 (i.e. 26-50)
- **Band 4:** Top 100 (i.e. 51-100)
- **Band 5:** Top 200 (i.e. 101-200)
- **Band 6:** Top 300 (i.e. 201-300)
- **Band 7:** Top 400 (i.e. 301-400)
- **Band 8:** Top 500 (i.e. 401-500)
- **Band 9:** Top 600 (i.e. 501-600)
- **Band 10:** Top 700
- **Band 11:** Top 800
- **Band 12:** Beyond Top 800

Bands reflect amalgamated rankings from ARWU, THE, QS

METHODOLOGY OF TUITION FEES BENCHMARKING

Banding: Methodological Disclaimers

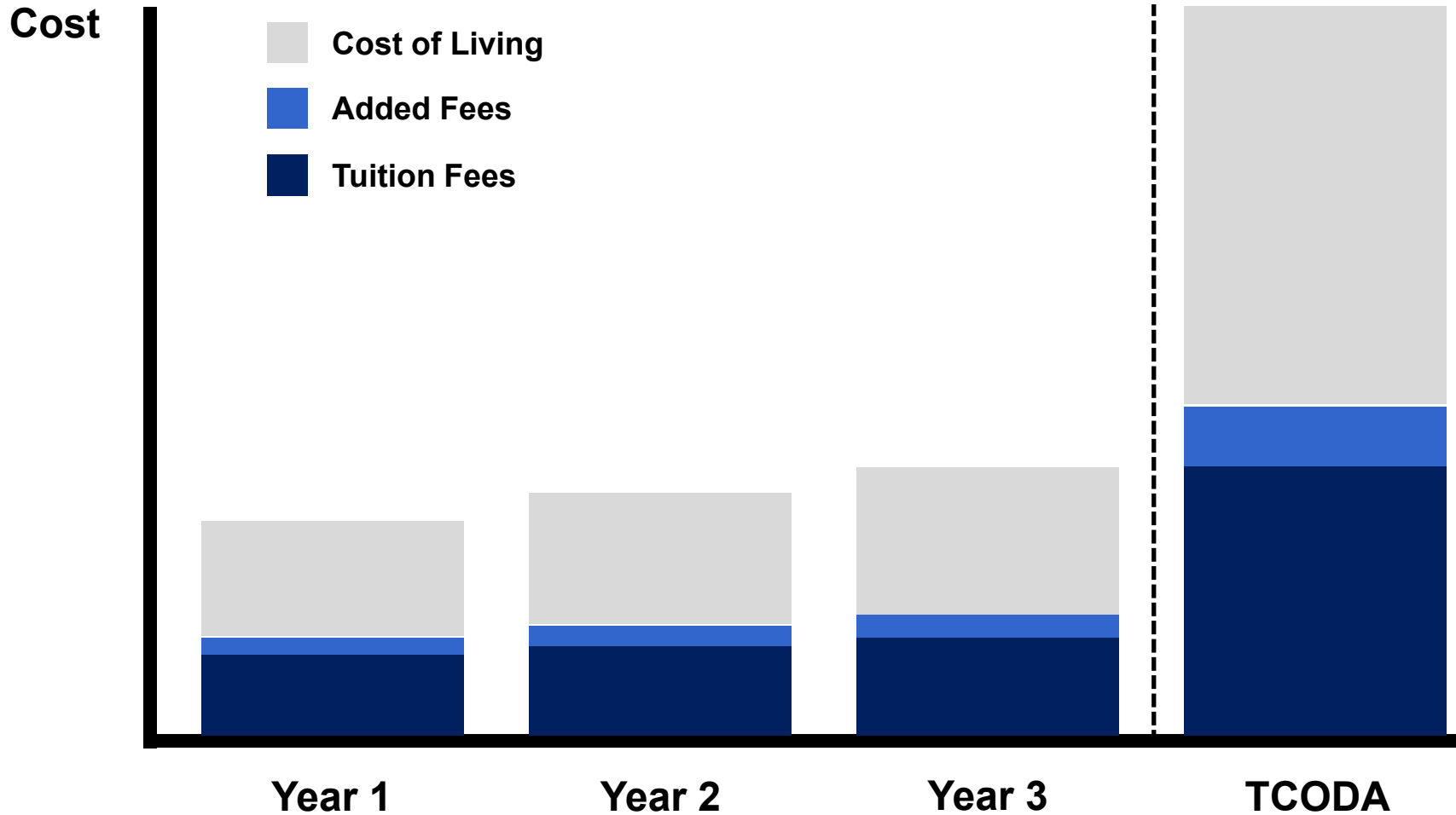
- **Banding clarity declines when moving down the ranking ladder. This is a reflection of the clear differentiation factors at the very top of rankings, and the much more amorphous nature of rankings differentiators starting around rank 100.**
- **Perceptions of rankings “users” matter. Since these include students, parents, secondary school principals, agents, scholarship bodies, faculty members, and so on, it is not possible to design a definitive roster of rankings perspectives.**
- **Instead, ICG’s banding methodology attempts to rationalize assumptions of the aforementioned stakeholders.**

METHODOLOGY OF TUITION FEES BENCHMARKING

Total Cost of Degree Acquisition: Research Overview

- **In order to understand the full cost portfolio that international students face for a particular degree program, ICG created the concept of Total Cost of Degree Acquisition (TCODA).**
- **TCODA combines tuition fees, additional fees, and cost of living (from SMILE) data into one metric of cost.**
- **All costs have been converted to USD to facilitate comparisons.**
- **Using forward-looking modeling ICG can predict the TCODA for an international student over the life of a degree program.**

THE LOGIC OF TOTAL COST OF DEGREE ACQUISITION (TCODA) Example: Three-Year Degree



International Students “have to” consider TCODA

METHODOLOGY OF TUITION FEES BENCHMARKING

Modeling: Forward Looking Calculations

- **Forward looking modeling for tuition fees was conducted using two possible methodologies.**
- **When an institution indicated a policy for future tuition fee increases, this policy was applied.**
- **When no policy was available (large majority of cases), historical tuition fees data was retrieved, using a three to five year sample.**
 - **The rate of change from this sample was then applied to future years.**
- **Forward looking modeling for additional fees and cost of living data was conducted using similar methodology.**
- **Historical inflation rates for the last 20 years were retrieved and used as a baseline for future increase of additional fees and cost of living.**
- **All three forward looking models (tuition fees, additional fees, and cost of living) were aggregated to create complete TCODA models.**

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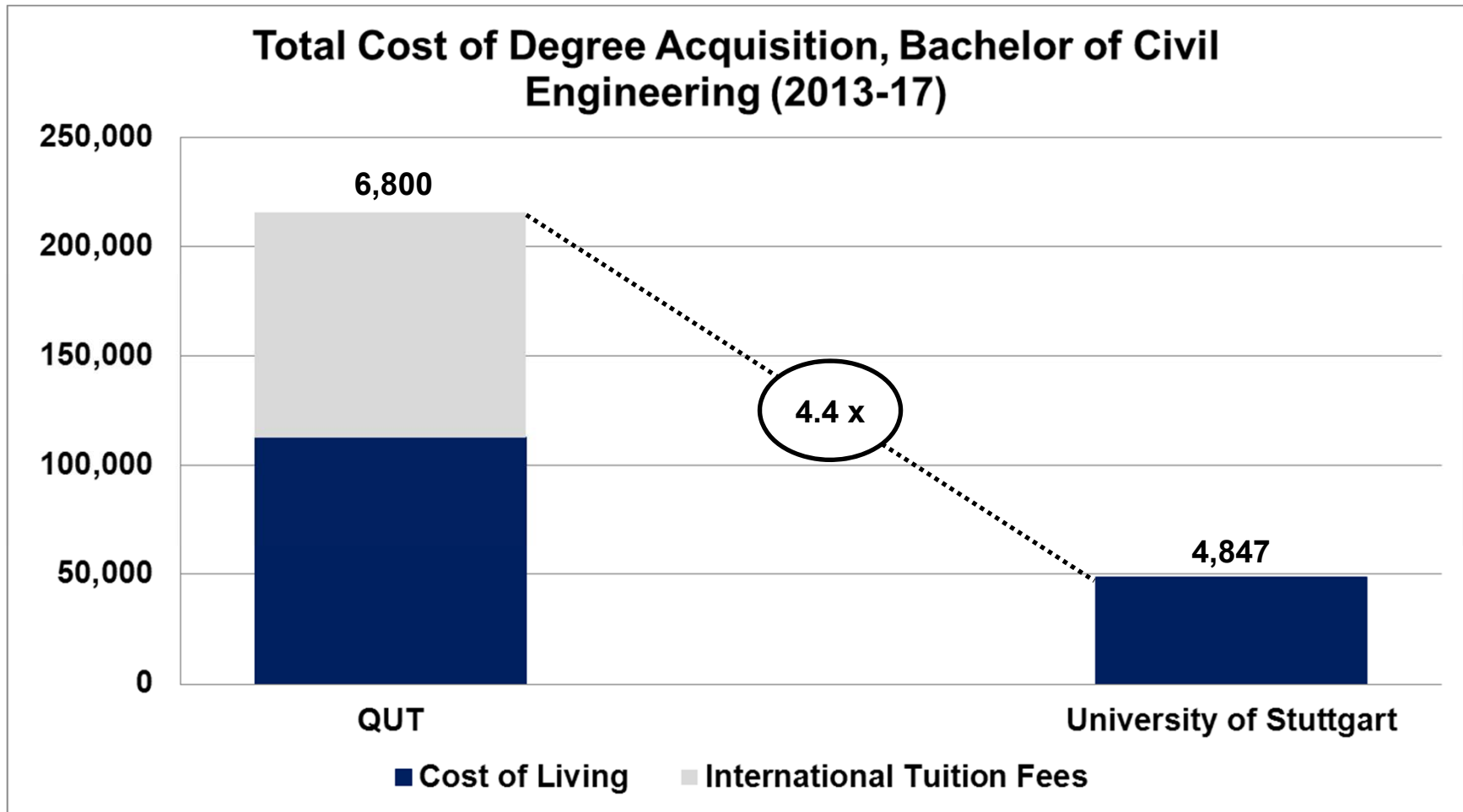
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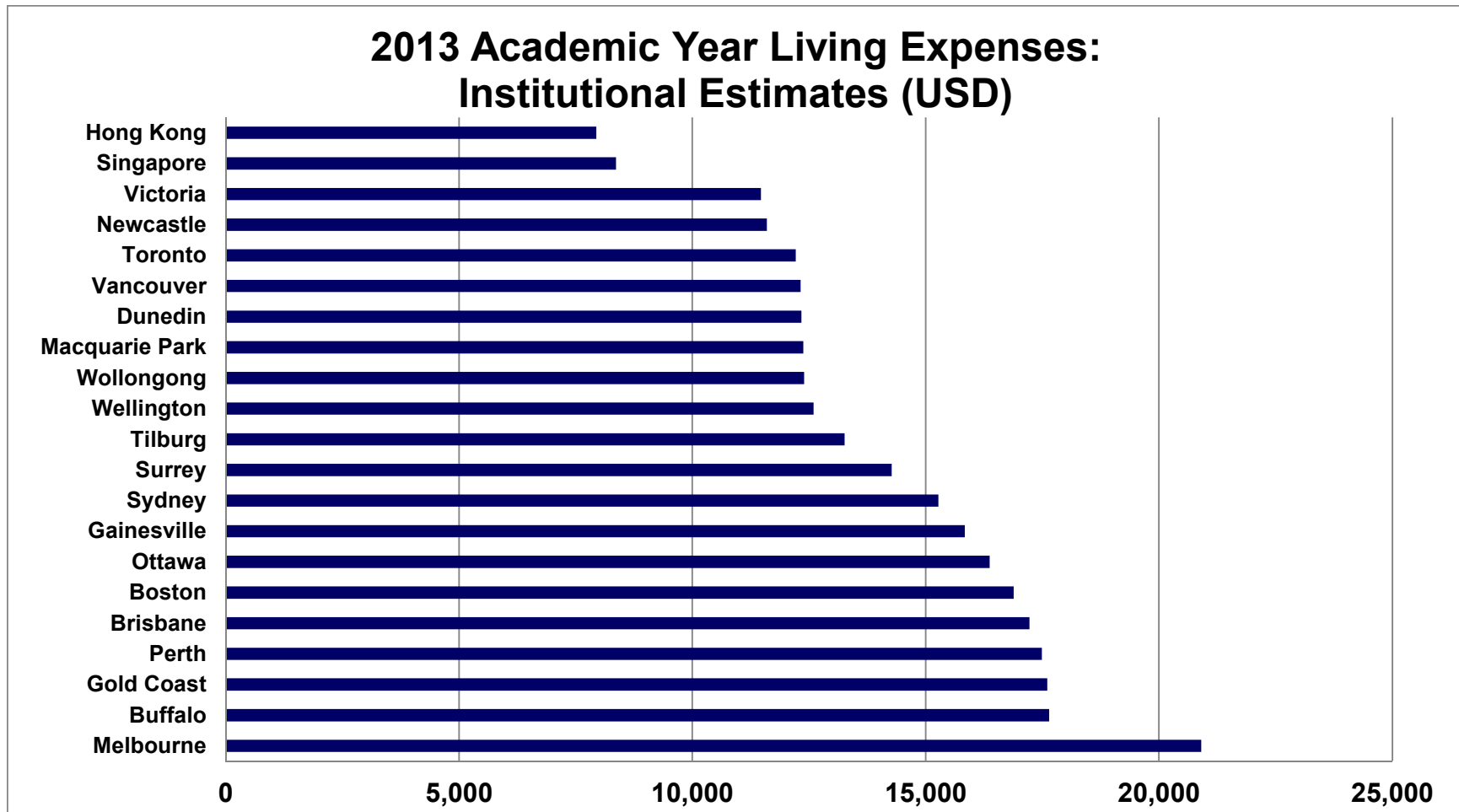
TUITION FEES AS SUCH HAVE LITTLE TO DO WITH AN INSTITUTION'S ABILITY TO RECRUIT INTERNATIONAL STUDENTS



QUT enrolls 2,000 more international students than Stuttgart while costing 4.4 times more

PERSPECTIVES FROM ITBCD

2013 Academic Year Living Expenses: Institutional Estimates

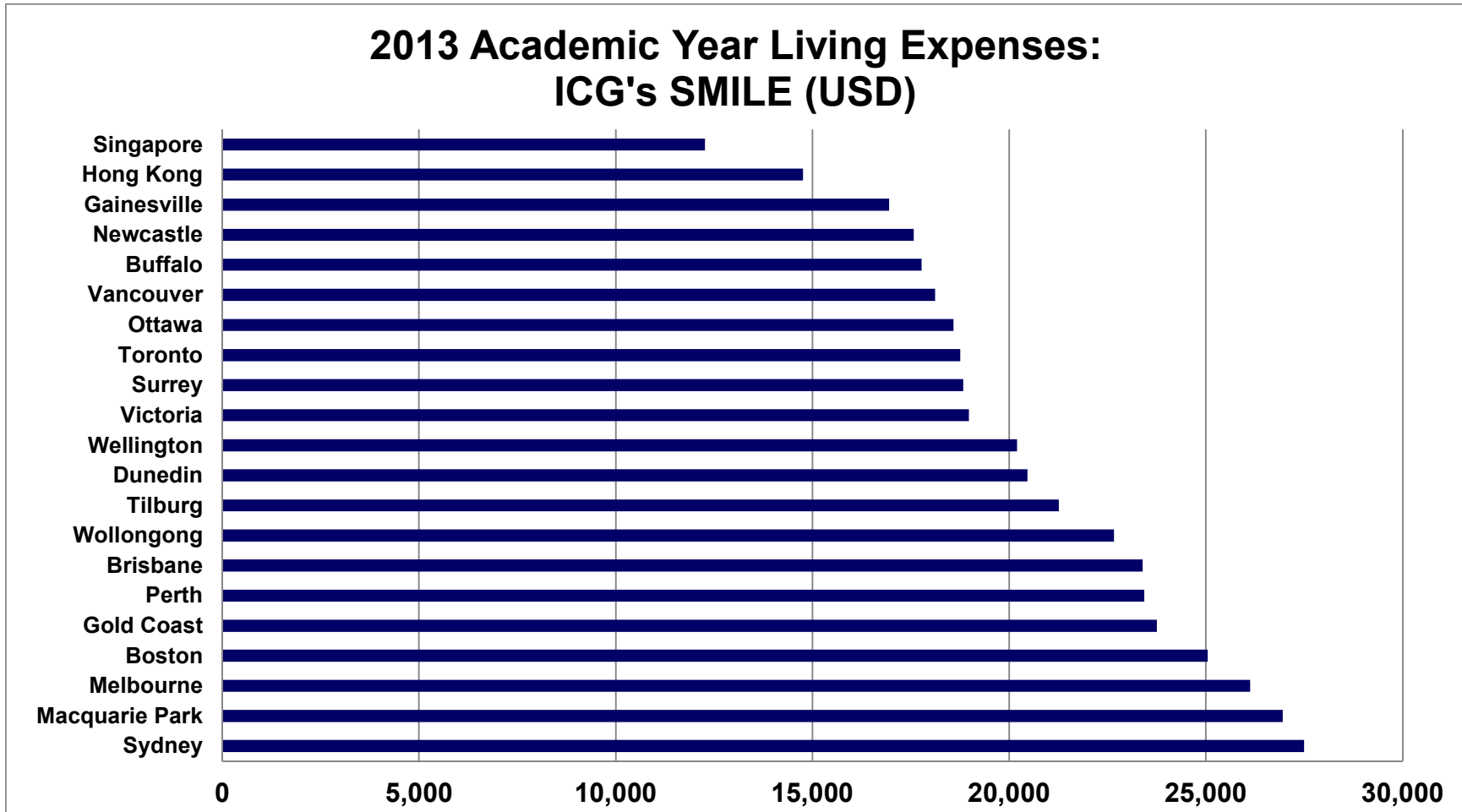


Asian, Canadian institutions offer lowest cost of living, Australia most expensive

Source: ICG ITBCD.

PERSPECTIVES FROM ITBCD

2013 Academic Year Living Expenses: ICG's SMILE

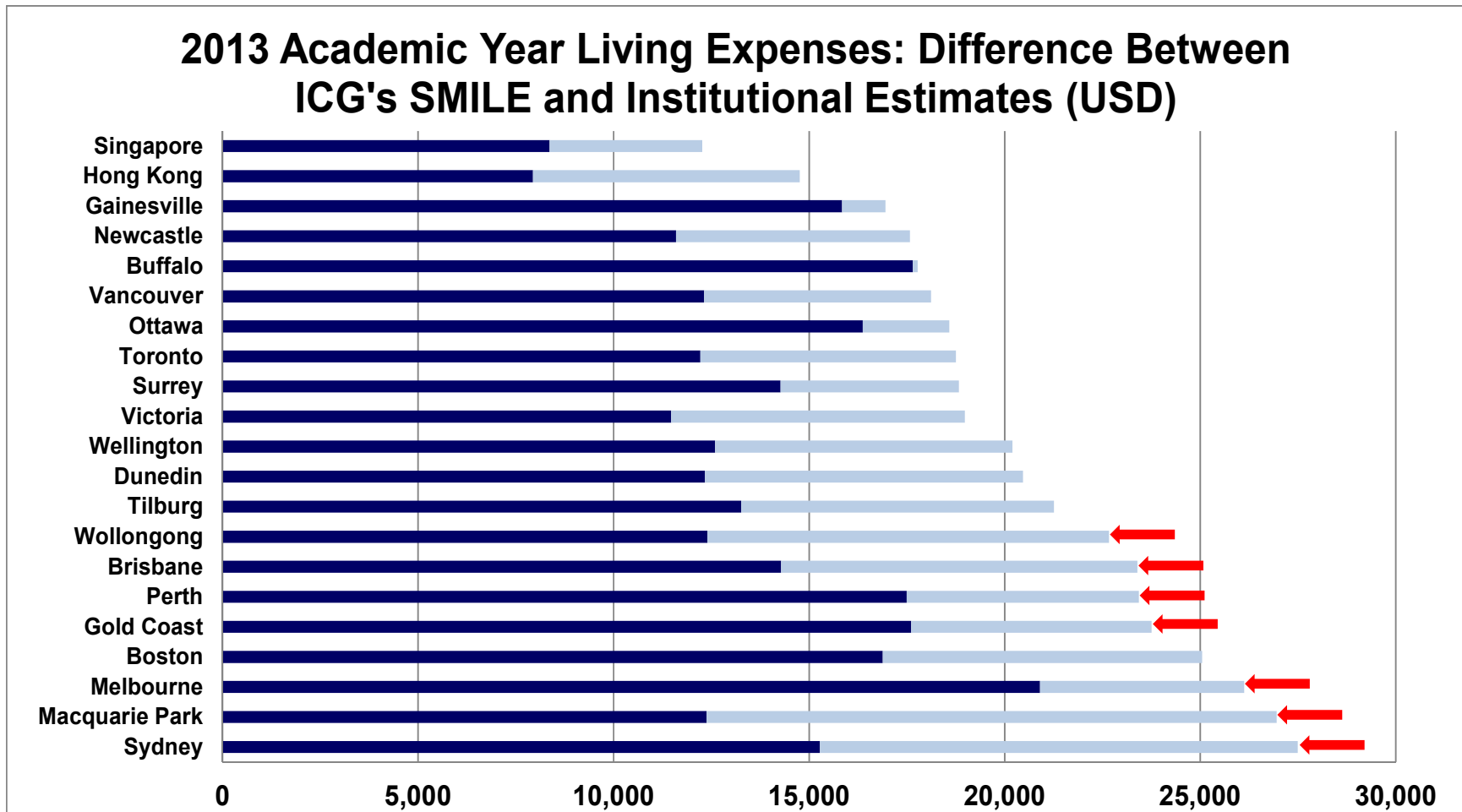


Trends are similar to institutional estimates

Source: ICG ITBCD.

PERSPECTIVES FROM ITBCD

2013 Academic Year Living Expenses: SMILE vs. Institutional Estimates



Many institutions significantly underestimate cost of living

Source: ICG ITBCD.

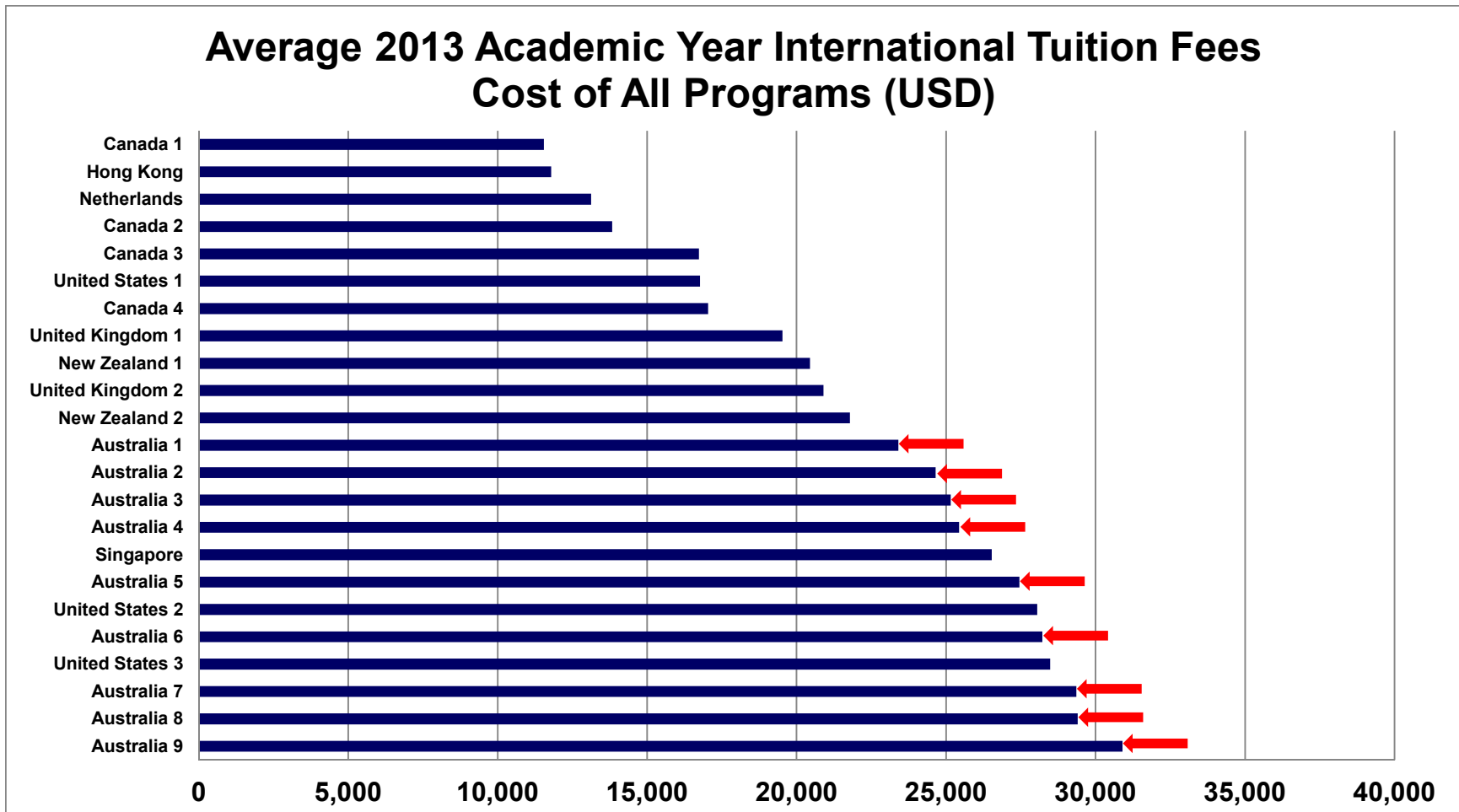
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PERSPECTIVES FROM ITBCD

2013 Academic Year Cost: All Programs at Research Universities

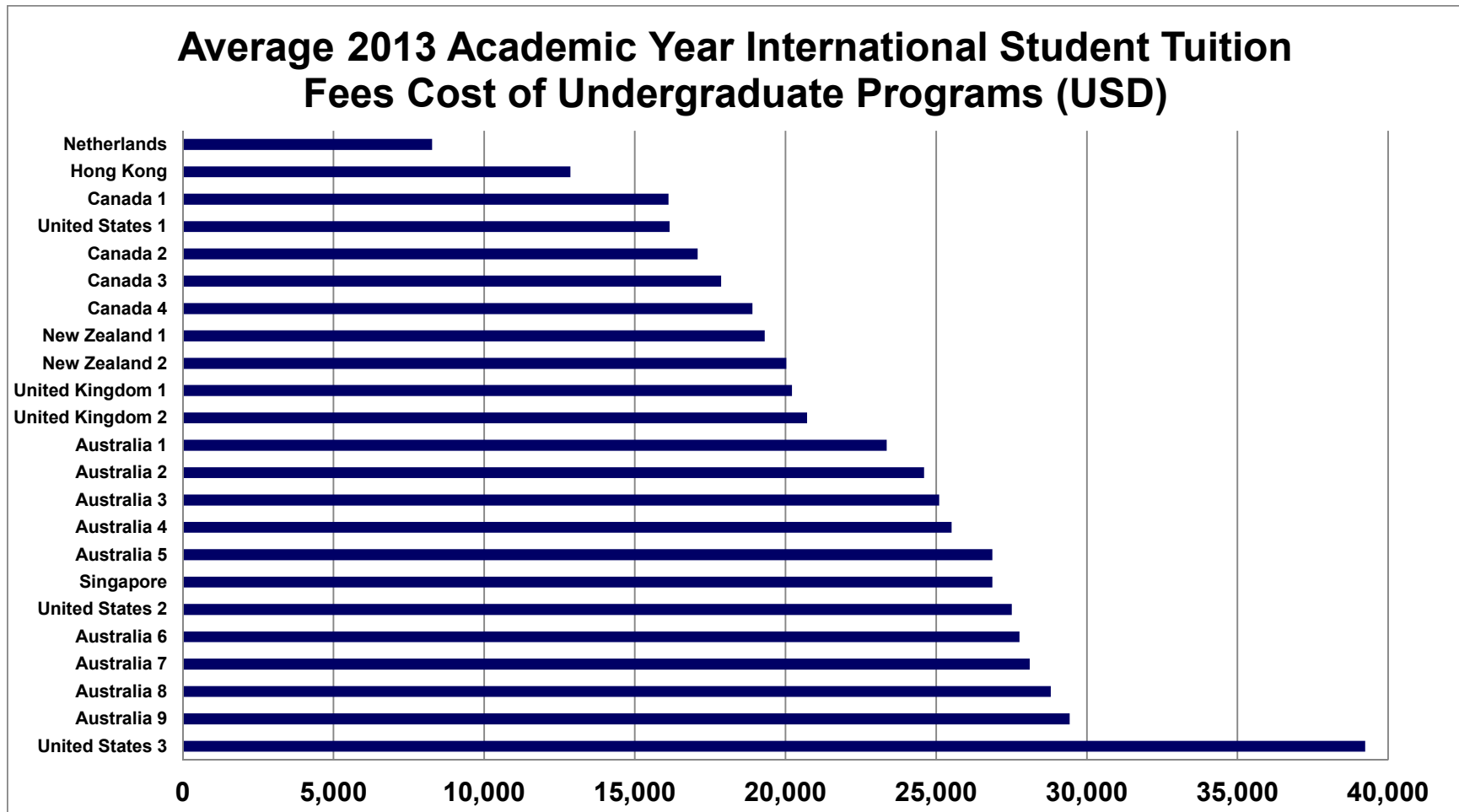


For research universities Australian institutions have the highest fees

Source: ICG ITBCD.

PERSPECTIVES FROM ITBCD

2013 Academic Year Cost: UG Programs at Research Universities

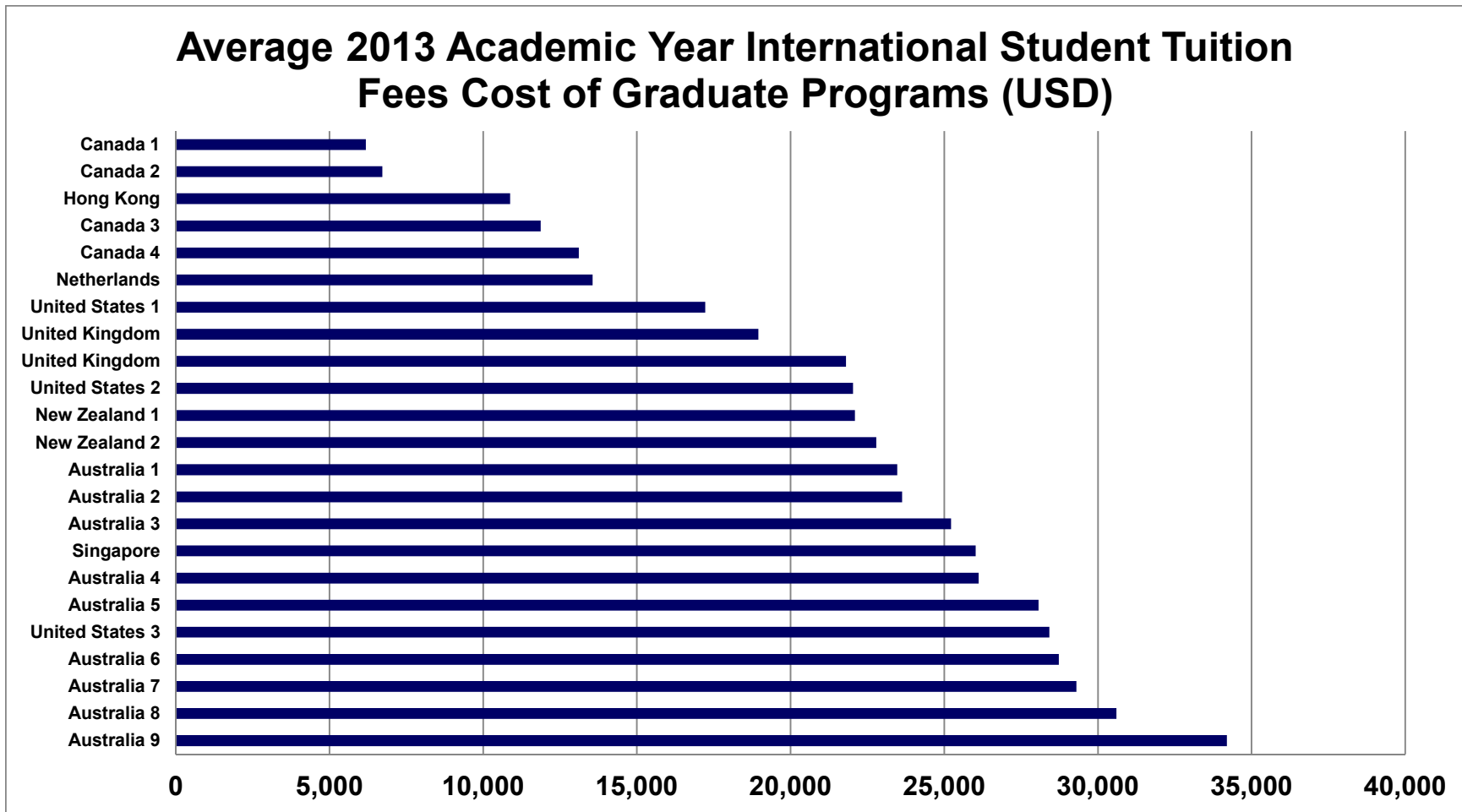


Private university pricing models account for United States 3's high cost

Source: ICG ITBCD.

PERSPECTIVES FROM ITBCD

2013 Academic Year Cost: Graduate Programs at Research Universities

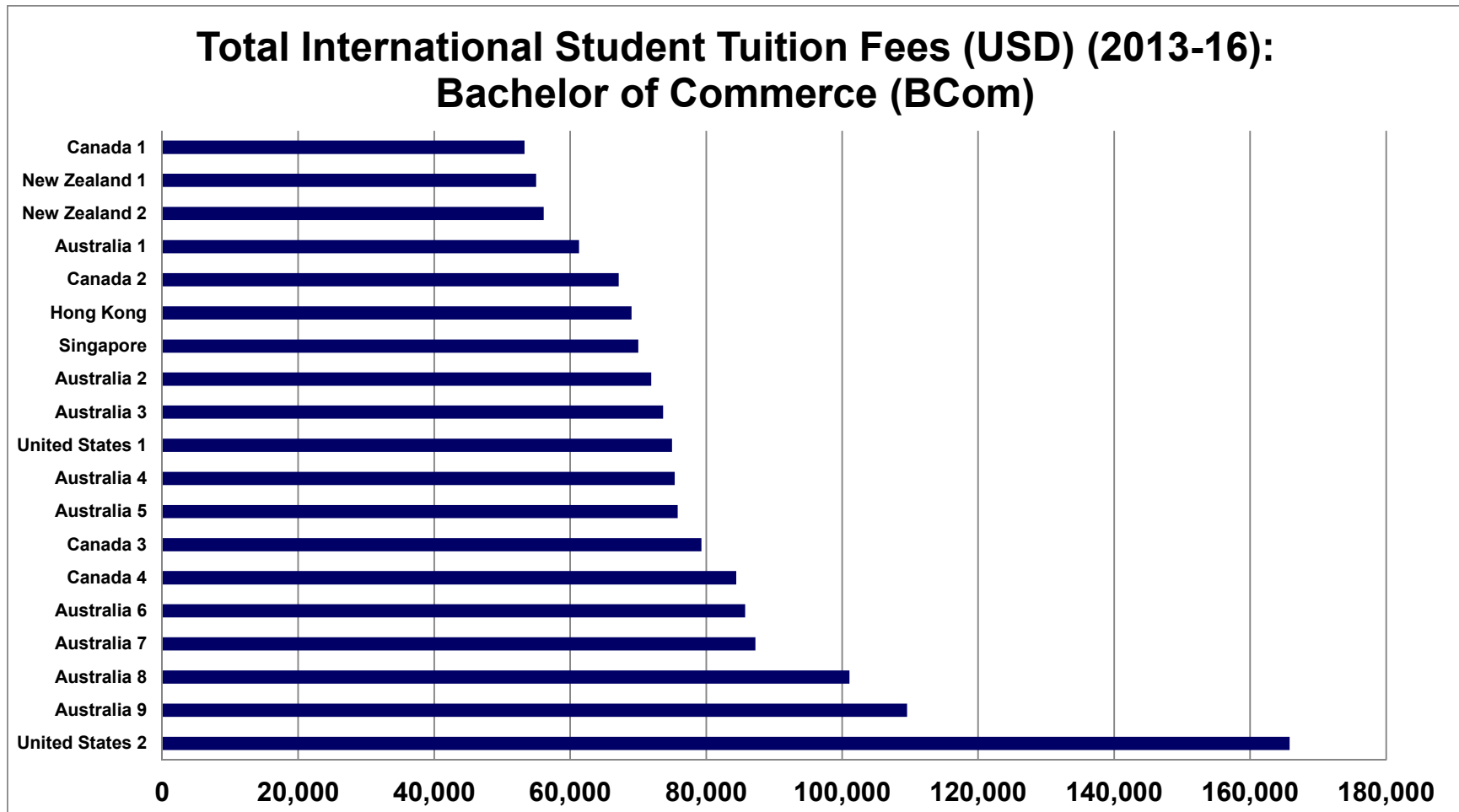


Canadian master's degrees heavily underpriced

Source: ICG ITBCD.

PERSPECTIVES FROM ITBCD

2013-16 Total Tuition Fees Cost: Bachelor of Commerce Programs



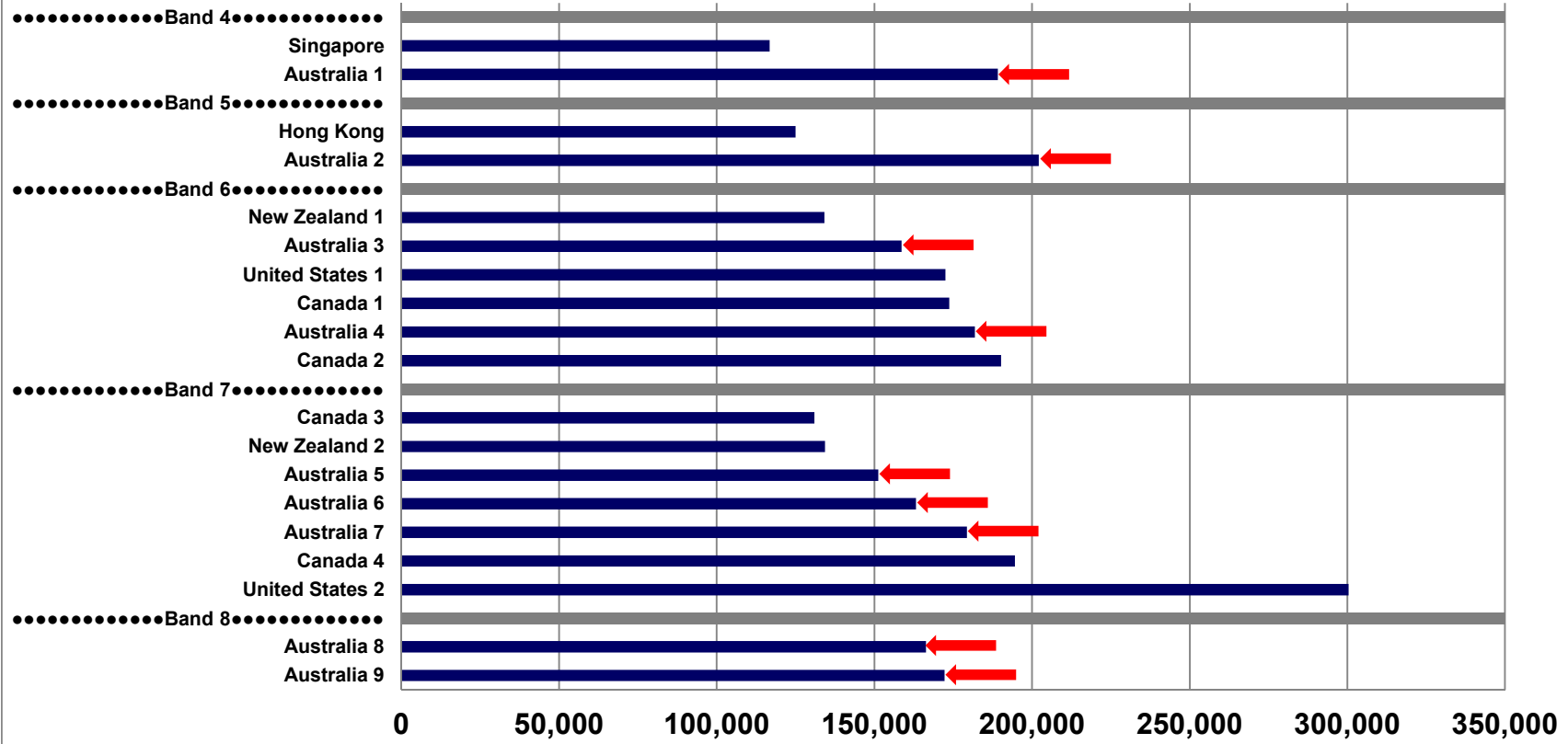
New Zealand evidences value for degree cost

Source: ICG ITBCD.

PERSPECTIVES FROM ITBCD

2013-16 TCODA by Band: Bachelor of Commerce Programs

Total Cost of Degree Acquisition by Band (USD) (2013-16): Bachelor of Commerce (BCom)



Price elasticity is a potent factor for BCom programs

Source: ICG ITBCD.

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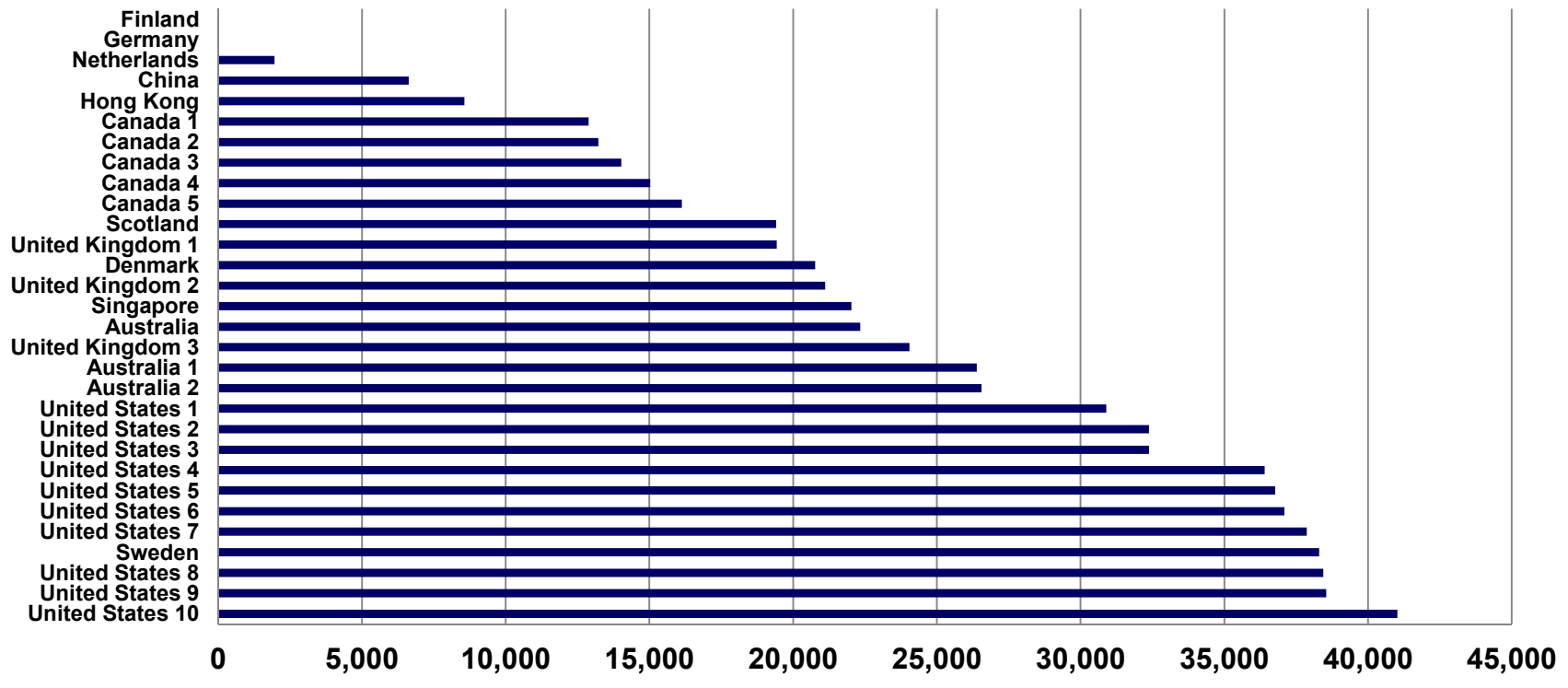
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PERSPECTIVES FROM ITBCD

2013 Academic Year Cost: All Programs at Art and Design Institutions

Average 2013 Academic Year International Student Tuition Fees Cost of All Programs (USD)



US institutions are highest priced for the art and design market

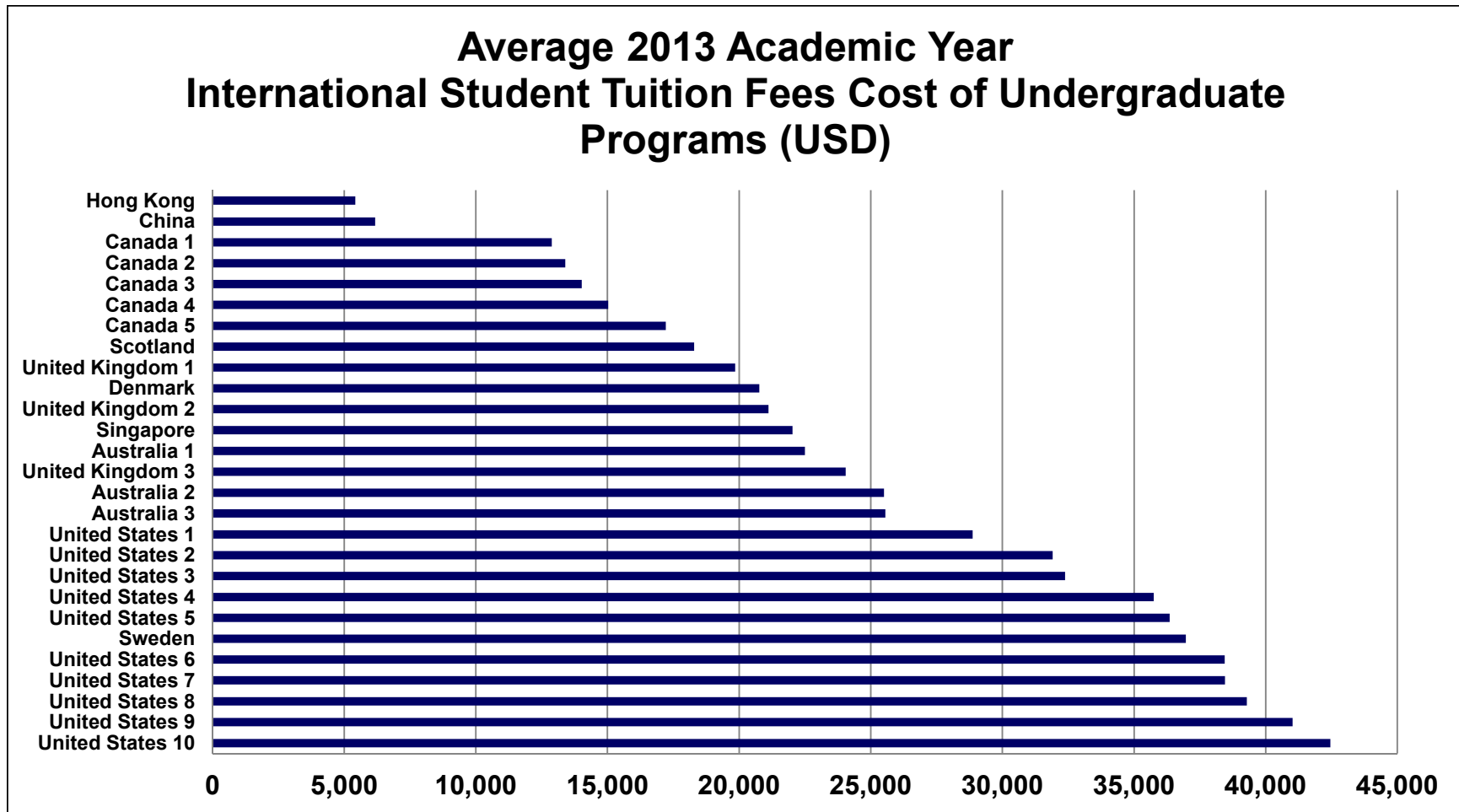
Note: Finland and Germany institutions do not charge tuition fees for these programs.

Source: ICG ITBCD.

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PERSPECTIVES FROM ITBCD

2013 Academic Year Cost: UG Programs at Art and Design Institutions



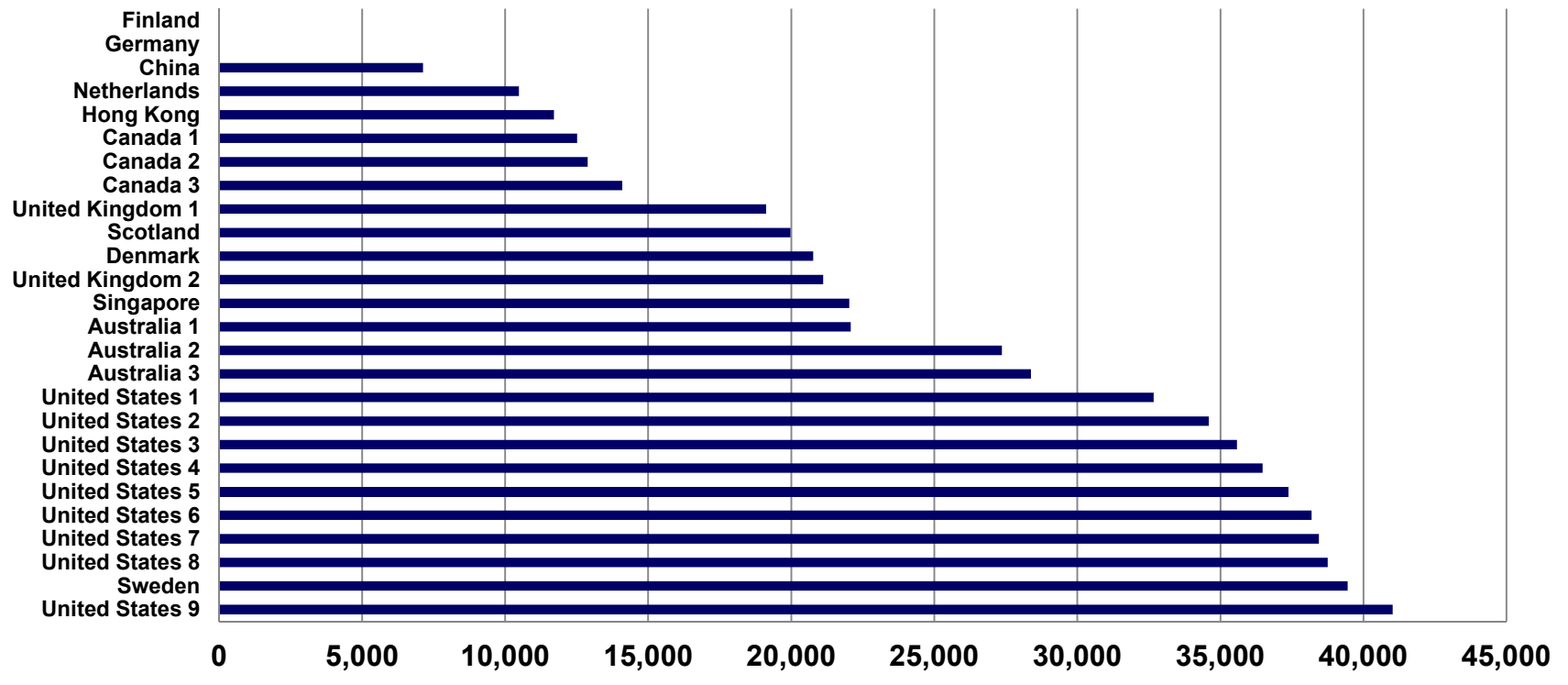
Canadian institutions offer value at the undergraduate level

Source: ICG ITBCD.

PERSPECTIVES FROM ITBCD

2013 Academic Year Cost: Graduate Programs at Art and Design Institutions

Average 2013 Academic Year International Student Tuition Fees Cost of Graduate Programs (USD)



High tuition fees are common at the master's level for art and design

Note: Finnish and German institutions do not charge tuition fees for these programs.

Source: ICG ITBCD.

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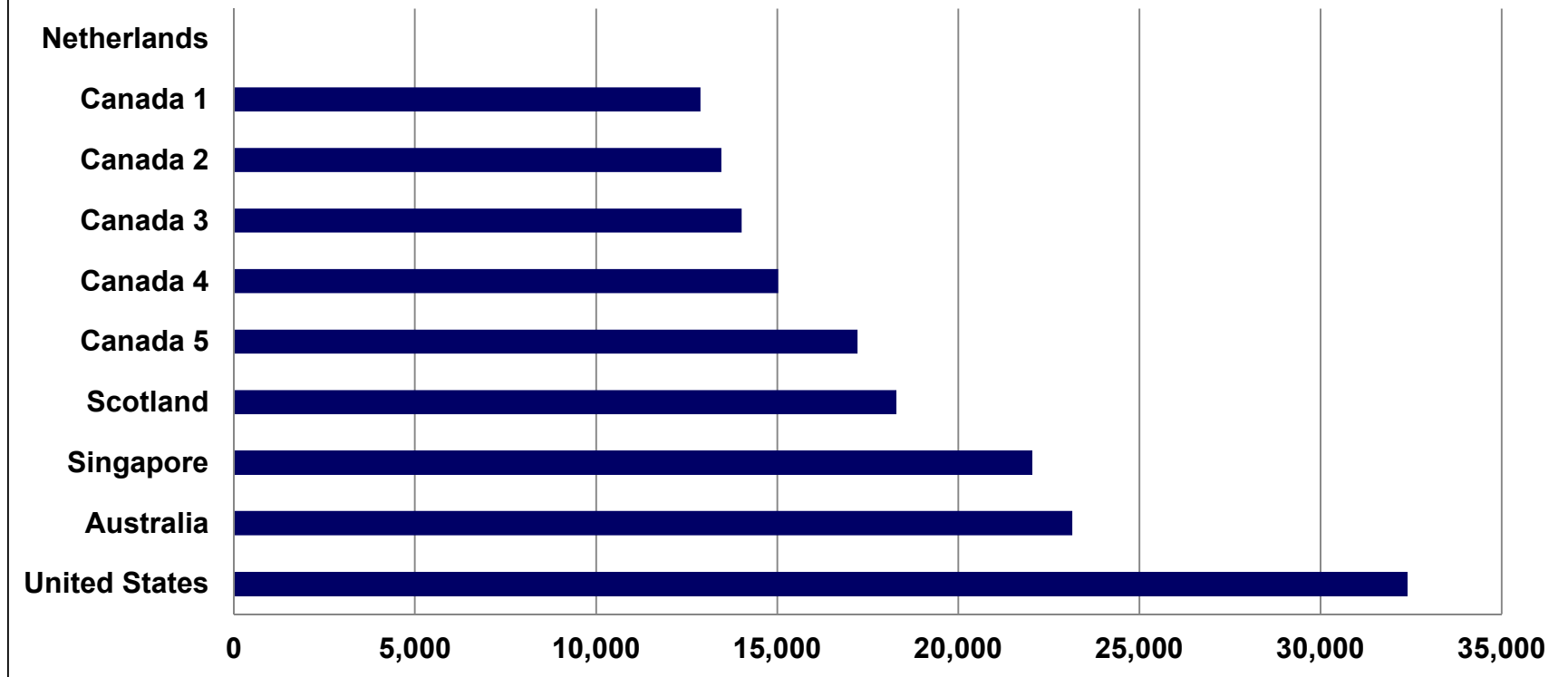
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PERSPECTIVES FROM ITBCD

2013 Academic Year Tuition Fees Cost: Bachelor of Design Programs

2013 Academic Year International Student Tuition Fees (USD): Bachelor of Design (BDes)



Notable fee spreads visible

Note: Netherlands institution does not charge tuition fees for this program.

Source: ICG ITBCD.

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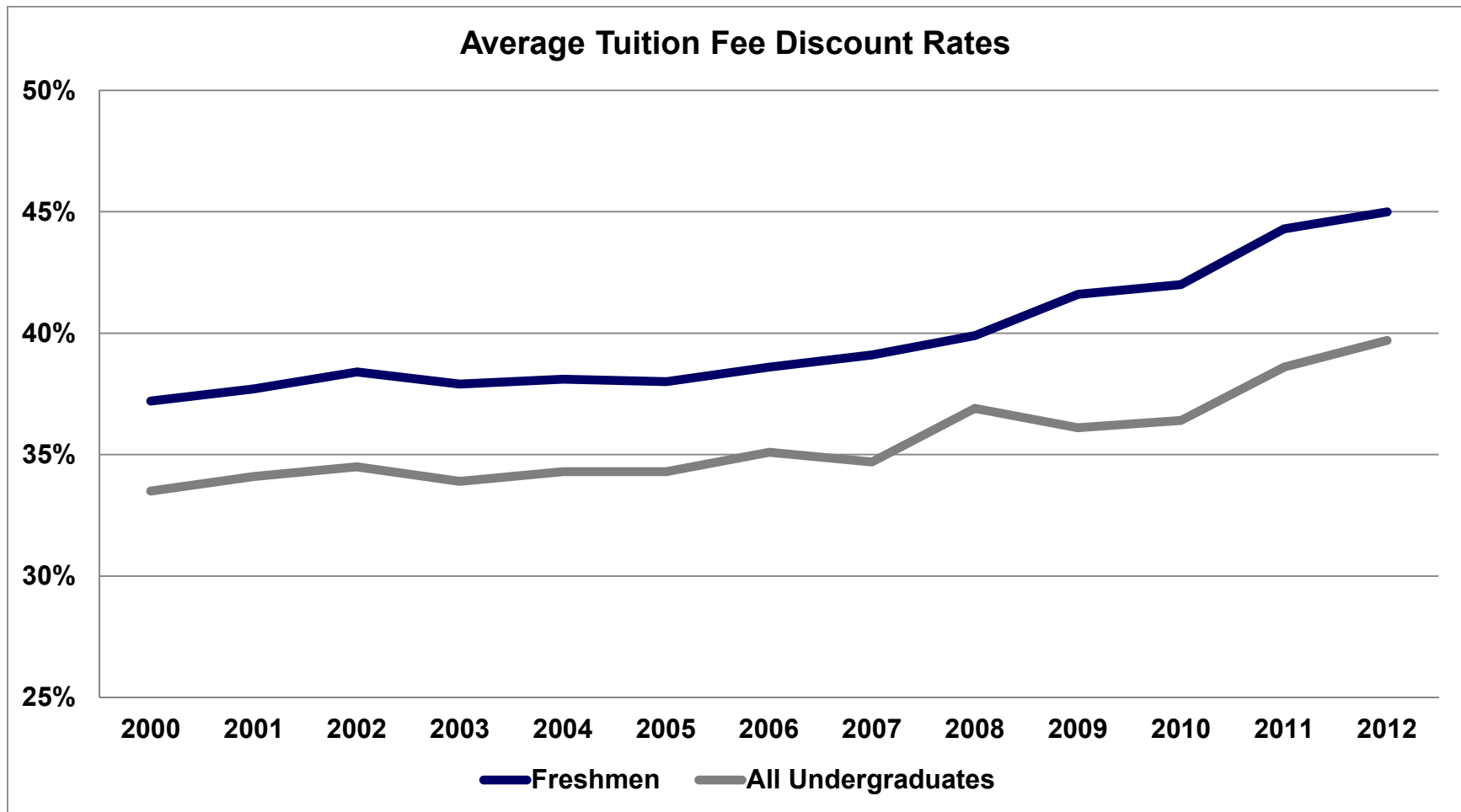
COMPETING WITH ADDED VALUE

Basic Logic and Categories

- **Added value as a concept denotes services, activities, capabilities, and off-sets an institution offers to students which carry value to the latter.**
- **Added value is not the equivalent of a brand, and does not reflect the ranking position of an institution.**
- **Added value can be quantified through a range of indicators.**
- **Added value categories to be measured in the 2014 ITBCD include:**
 - **International alumni networks**
 - **Entry/first year scholarships**
 - **Co-op placements/internships**
 - **Social media brand presence**
 - **Recruiting ability**
 - **Location attractiveness**

Added value research will measure the “tuition premiums” which can charged

NOT A GOOD IDEA: DISCOUNTING



Discounting has become more prevalent overtime

Source: NACUBO.

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