



## AT THE HEART OF THE HIGHER EDUCATION DEBATE

### **Higher fees could be the undoing of England's universities**

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If Lord Browne uncaps fees, the Golden Age of the English university may well come to an unseemly end, writes Paul Benneworth

One of the tricks of effective lobbying is creating a strong message that comes across like a statement of common sense rather than a plea for special treatment.

Over the summer, those lobbying for higher university fees in England got that part exactly right. Everyone appears to assume that Lord Browne is going to uncap fees, making the Russell Group's task - arguing for higher fees out of naked self-interest - much easier.

No one questions the group's motives, because it appears to be arguing for something inevitable. Even Vince Cable, the business secretary, found the issue closed and the vehemence with which his graduate tax proposal was rejected only added to the impression that higher fees are inevitable.

But the other trick of effective lobbying is pressing for changes in your own best interest. That means you must solidly understand not only your own best interests, but how your proposals will affect your competitors and the overall market.

The worst time to perceive your interests and market is when you are unaware of big changes approaching your business environment. And when you are cushioned at the top of a bubble, you are comfortable enough to con yourself into believing the good times will never end.

But the jury is still out on whether those universities lobbying for ending the fee cap understand its wider impacts. The current generation of university managers has, to coin a phrase, never had it so good.

Student numbers in England are at an all-time high. The money flowing into the sector for teaching has more than doubled in the past decade.

If I were leading one of England's universities, now is exactly the time I'd be asking how ending the fee cap would change my operating environment. And I'd see several upcoming changes in the student market that could potentially give me sleepless nights.

With birth rates climbing steadily in the past decade, England certainly has fewer demographic problems than elsewhere. Unlike the countries facing falling student numbers, England will see its student-age population start to rise by 2020.

But many other traditional student sources could wither in coming decades. Overseas students may dwindle with the emergence of increasingly prestigious Asian, African and Latin American institutions.

Home students may also cease to provide a core business, as widening participation ends. New private universities may mop up students fast-tracking their careers. Overseas universities - teaching in English - may target hard-pressed English students, overcoming their long-standing aversion to foreign study.

Put simply, four of the five factors that have driven the Golden Age of the English university are, in one way or another, grinding to a halt.

Universities are facing a perfect storm and it's heading straight for their recruitment pool.

They are assuming that higher student fees will bring in - in absolute terms - more income. But what if the opposite happens and higher student fees lead to a fall in income in the sector?

A liberal market in higher education is, by definition, one in which when demand falls, either prices or student numbers will fall.

"Products" will be differentiated, but there will be strong pressures to cut prices at the non-premium end of the market.

Up until now, very few institutions have charged below the current ceiling because to do so is seen as a sign of weakness. But where fees can float freely, universities face a temptation to steal a march on their competitors with discounting. If they don't, the Competition Commission will certainly ask why not.

No doubt some institutions will be able to attract students at Ivy League prices. But the key question is whether these will be the top two, the top five or the top 20.

And university leaders will need to ask whether they are in that premium-charging top group or the bargain basement, because the quid pro quo for higher potential fees is declining government support. So if your fees or intake fall, the government is certainly not going to make up the shortfall.

In all likelihood, a number of universities currently arguing for higher fees will lose out in a big way under the new arrangements.

How can it make sense for them to throw their lot in with England's elite institutions, arguing in favour of such risky proposals?

The days of the University Grants Committee are long gone, but a revival of its collegiate spirit is necessary to save the sector. Unless universities band together to agree a fair, stable way to fund future higher education, then 2010 will be remembered as the year the Russell Group turkeys voted for Christmas.

**Postscript:**

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