FOR A MORE VIABLE UNIVERSITY SYSTEM:
DEVELOPING A PRIVATE HIGHER EDUCATION SECTOR IN ONTARIO

by

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A thesis submitted in conformity with the requirements
for the degree of Master of Arts
Department of Theory and Policy Studies in Education
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0-612-54201-7

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Master of Arts, 2000
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ABSTRACT

This is a study that examines the feasibility of developing a private higher education sector in Ontario. A comparative analysis of the history of education in Canada and the United States is undertaken to determine how the two systems developed differently.

From this analysis, public/private distinctions are revealed comparing two current institutions from the United States and Canada. With this definition of "private," examples of recently established private, not-for-profit institutions in jurisdictions similar to Canada are examined for their impact on their respective higher education systems.

Two proposals of not-for-profit institutions in British Columbia and Ontario are analyzed and compared with these previously established institutions. The future prospects for similar proposals in Ontario are considered while also looking at the privatization of public universities and the establishment of for-profit higher education. It is concluded that the Ontario government will most likely endorse the creation of a private higher education sector.
Acknowledgments

The completion of this thesis would not have been possible without the assistance of a few individuals. I would like to thank Dan Lang, my thesis supervisor, for reading drafts and getting them back to me during a very busy summer schedule. I would also like to thank Michael Skolnik for his advice and expertise. Their devotion to helping students in any way is indicative of the experiences I have had with all professors in the Theory and Policy Studies department at OISE. It is truly a remarkable and unique feature of the program that deserves full recognition. I would like to thank my sister who has inspired me through her many awesome achievements during what has been a difficult time. And to my mother: her unwavering support in every aspect of my life through the years will never be forgotten.

—David Provan
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Introduction

The development of private higher education has reached unprecedented levels of expansion in many diverse parts of the world. The United States and Japan have continued to build on their extensive private higher education sector, while developing nations in Latin America and Africa have established new private higher education sectors. The recent trend toward privatization in higher education has resulted from the combination of an increased demand for postsecondary education and an unwillingness of governments to fund this expansion. In addition, this increased dependence on private higher education reflects the initiatives of governments worldwide to cut public spending.¹ Residents of Ontario have become accustomed to spending cuts over the past five years as the current Progressive Conservative government has slashed funding to most public programs, while privatizing others. Yet the current situation in Ontario has not reflected the global trend toward privatization in the higher education sector. The same conditions favourable to privatization do exist, but private postsecondary institutions have not been able to transcend Ontario’s structured postsecondary system. A highly regulated university sector in a jurisdiction that puts a high premium on the authority to grant degrees has led to very little development in private higher education in the province.² It is only most recently that the Ontario government provided its first
indication of a possible policy shift in favour of establishing private institutions in the future.

In April 2000, the Ontario government published a consultation paper entitled *Increasing Degree Opportunities for Ontarians*. In this paper, the government made it clear that allowing private institutions to deliver programs in the province was under consideration. It outlined specific proposals that would be implemented if private institutions were ever given degree-granting authority in the province. Among other things, these proposals included the creation of a quality assessment board to monitor the quality of the degrees being offered at new, private institutions. This consultation paper represented a sharp contrast from the government's established pattern of neglect for the private higher education sector. The report was preceded by legislation that opened the door even further for a possible policy shift from within the government. In 1998, legislation was passed that allowed Redeemer College—a denominational college previously only able to grant theological degrees—the ability to grant Bachelor of Arts and Bachelor of Science degrees. While the rationale behind this move is difficult to interpret, it illustrates a dynamic shift in acceptance of private higher education by the Ontario government.

These most recent developments do not represent the first time a private higher education debate has surfaced in Ontario. The history of higher education in Ontario is steeped in traditions of private university education. Expansion in the 1960s brought many private denominational colleges under public control. Even before this expansion period, the federal and provincial governments had grappled with issues of bringing previously private colleges into the public sphere. The actions of the government in
Ontario sharply contrasted the American model, which maintained a distinct private higher education sector that remains the most prominent in the world today. The history of education in these two countries, along with the current public and private institutions that now exist, have blurred the distinction between public and private institutions. Indicators of private status like autonomy, lack of government funding, and dependency on tuition do not easily contrast private institutions from their publicly labeled counterparts. A comparison of two prominent institutions in North America will be undertaken to understand the intricate differences between public and private institutions.

The experiment to create a private postsecondary sector in a highly structured public system is not without precedent. Higher education in the United Kingdom and Australia—two countries with strikingly similar public systems to Canada—have established private, not-for-profit institutions in their jurisdictions. In the United Kingdom the University of Buckingham was established in 1976 while the Australian Bond University opened its doors in 1989. Neither of these established institutions could be called an instant success, but they have persevered and remain open today. An analysis of their acceptance into the higher education systems of their respective countries will be instrumental in understanding the problems that face Canada. Two not-for-profit university proposals already exist in Canada that have been on the table since the late 1980s. The two separate proposals are to establish the first private, not-for-profit universities in British Columbia and Ontario.

The Canadian proposals have gained prominence as the government contemplates the future of funding Ontario's higher education system. The contention of this thesis is that the Ontario government must consider developing a private postsecondary sector to
complement the current university system in place that is no longer viable on its own. The public higher education system has become too expensive for the government to operate. With one of the highest participation rates in the world, the Ontario government has been running an elite university sector for the mass population that has not been economically feasible for some time. Reports commissioned by various provincial governments have called for increases in funding since the late 1970s. It has only been more recently that the studies have begun to mention privatization as a possible future component of the Ontario university sector. Most likely this has been a result of privatization trends emerging in other parts of the world coupled with the ever-present funding shortage for Ontario’s universities.

Others have argued that the financial problems that have plagued the Ontario higher education system for many years must be met with an increase in funding. They argue against a private higher education sector as a repugnant American-style university system that has no place in Canada. In short, the introduction of private universities in Ontario goes against the tradition that says “it doesn’t matter how wealthy your parents are, if you work hard and get good marks, you get to go on to college or university.” This is one of the most compelling arguments against establishing private universities in Ontario and, in an ideal world, this would make sense. Certainly private institutions must bring more to the system than a quick-fix solution to a funding crisis. Governments cannot divulge their responsibility to provide universal access in higher education. From niche programming to greater innovation, private institutions may bring more positive qualities that might not be at first apparent. In some cases, private higher education can actually increase access for groups not recognized by the public university sector. Today,
in a world becoming increasingly concerned about government spending and the avoidance of debt, a critical analysis of all aspects of the private higher education alternative is required.

Notes


2 In Ontario, there exists legislation called the Degree Granting Act that severely limits degree-granting status in the province. It has effectively discouraged private institutions from establishing residency in the province, though some do exist. The high regulation of the university sector stems from these restrictions on degree granting, and has little to do with autonomy. In fact, Ontario’s universities benefit from being among the most autonomous public institutions in the world.

3 Ontario, Ministry of Training, Colleges and Universities, Consultation Paper: Increasing Degree Opportunities for Ontarians (Toronto, 2000).

4 A possible funding crisis was identified by the Ontario Council of University Affairs in a report in 1979, quoted in Michael Skolnik, "Balancing Drift and Design: Ontario universities need firmer direction," CSSE News 24, no. 1 (February 1997), 10.

5 Reports on the future inclusion of private institutions include the 1996 Report on Future Directions of Postsecondary Education in Ontario and the April 2000 consultation paper. While these reports have never maintained that new private institutions should be used as a matter of public policy to ease the government’s financial burden, I think an inference can be made in this regard.

6 Dalton McGuinty (Ontario Liberal Leader), as quoted in Joan Walters, "Private, for-profit university would be first to offer degree program,” National Post (18 November 1999).
Chapter One

Understanding Private Higher Education: Exploring the Term and its History with an Emphasis on Ontario

The University of Toronto as it exists today is virtually unrecognizable from the original King’s College. Private colleges have survived in the United States over several hundred years while Canada’s private colleges have been transformed. Roger Geiger, a scholar on the history of higher education, argued that “two powerful reasons exist for the serious study of education: because things change and because some things do not change.”¹ This painfully simple point is of vital importance when examining the history of higher education in Canada and the United States in reference to private universities. These two countries have two very different systems of higher education, yet history shows them starting out with similar types of institutions. Both countries evolved from the same basic starting point of private, denominational institutions.² Yet Canada evolved into a highly public higher education system while the United States developed the largest private higher education sector in the world. Comparing these two countries will determine what caused them to diverge. In turn, this will help reveal the source of the apprehensiveness surrounding the acceptance of private institutions in Ontario.

As one examines the history surrounding higher education in Ontario, it becomes apparent that there is another level of complexity that deserves consideration. The term “private” in higher education is not as clear as it may seem. In fact, because of the level
of autonomy that Ontario universities enjoy, they are officially deemed as private (or independent) institutions. In contrast, because the institutions receive significant operating grants from the provincial government, Ontario’s university system is often described as public. In the United States, private institutions are autonomous but also may receive funds from the government from a variety of means apart from operating grants. This murkiness surrounding the term “private” is made all the more indistinguishable by the history of events in higher education.

**History of Education in Canada, emphasis on Ontario**

The beginnings of higher education in Canada can be traced as far back as 1635 with the founding of the Jesuits of the College de Quebec, which received its funding from an aristocratic French family.\(^3\) The association of a religious organization with institutions of higher learning—as was the case with this first Jesuit college—followed what had been the norm in Europe; this would dictate the affiliations of future institutions across Canada in the 1800s. The first English institution was established in Nova Scotia in 1789 under the name King’s College. It received a charter that had been originally granted by the Crown to a King’s College in New York but, because of apparent unfavourable conditions in New York, was transferred to Nova Scotia. It received an annual grant from the provincial government and was the first institution given the power to grant degrees. Its Anglican religious affiliation did not exclude non-Anglicans from studying at the institution, but it did make them ineligible for a degree.\(^4\) In 1802, King’s College was granted a royal charter along with a £1000 grant from the British government. By the mid-1800s, religious institutions were spread throughout eastern and central Canada.
Their religious affiliations varied: Anglican, Catholic, Methodist, Baptist, Presbyterian or simply Christian.

While it is true that denominational colleges were the dominant type in Canada in the nineteenth century, some independent universities did begin to emerge at this time. One of the first universities to become independent from religious control was the newly created University of Toronto in 1849. This secular university was created from the original King's College at York (Toronto), created by Royal Charter in 1827. In the 1940s, a plan was formed to make the university a federation of three other established denominational colleges: Queen's College at Kingston (1840), Victoria College at Cobourg (1841) and Regiopolis College at Kingston (1837). The move to create a federated University of Toronto was encouraged by the creation of the University of London in the United Kingdom in 1836 when the British University College and King's College joined together to form a single institution (with provisions for other colleges to join). This same format was adopted by Manitoba with the creation of the University of Manitoba in 1877, which in turn encouraged other Western universities to follow suit.

Back at the University of Toronto, the establishment of previous institutions made such quick change more difficult to attain. The original bill that would create a federated University of Toronto died in 1844 but was revised and passed in 1849 without the federalism package, basically renaming King's College and stripping it of its denominational character.

Over the second half of the nineteenth century, many attempts were made to create this federated system at the University of Toronto, and legislation was finally passed in 1887. This legislation brought University College and Victoria College under
the control of the new system. Unfortunately, a difficulty still remained. The legislation created a flawed management system that hindered the success of the University of Toronto. After a few half-hearted attempts from within the university, a Royal Commission was created to resolve the governance issue. In 1906, the Flavelle Commission reorganized the structure of university governance in Toronto and established the standard for the rest of Canada with the principle of bicameralism. Bicameralism calls for a structure with a board of governors that would control and manage the university on behalf of the government while a separate academic senate would direct the academic interests of the university. This new form of governance solved the many problems that had plagued the management of the University of Toronto before the Royal Commission. In addition, it separated the university from the government that strengthened the institution’s autonomy and, in effect, reinforced its “private” status.

With Confederation and the passing of the British North America Act in 1867, education was officially recognized as a provincial matter with no interference from the federal government. This was followed by a declaration by the Ontario Premier Sandfield MacDonald when he stated that all provincial grants to denominational colleges would be terminated. Despite these assurances of no funding to denominational colleges, only the University of Toronto, Queen’s University and the University of Western Ontario had become secular through 1940. Instead, the period from Confederation to 1945 experienced a notable growth of denominational colleges in the province. After the vital role universities played in the war effort between 1940 and 1945, many saw an increased importance of universities in terms of their societal and
economic benefits. This led to two additional public institutions being converted: McMaster in 1947 and Carleton in 1952. However, it was not until the 1960s when nine additional denominational colleges in the province began to see the importance of receiving government grants. The grants had been increasing in light of the government’s renewed commitment to higher education and these denominational colleges took notice. The move to increase funds for universities was a welcome change from the first half of the twentieth century when provincial grants had languished far below acceptable levels. Nevertheless, this renewed interest was not all in good faith. The government was also reacting to a report published by Edward Sheffield, a researcher at the Dominion Bureau of Statistics in 1955, which stated that university enrolment would double to 120,000 by 1965. This led to the National Conference on Canadian Universities sponsoring a special conference on Canada’s Crisis in Higher Education in 1956.10

The 1960s were very important for Canada’s social programs with the creation of Medicare in 1966. It continues to exist in similar form today. In the following year, higher education was overhauled with a reworking of the federal/provincial fiscal arrangements.11 The arrangements between the federal and provincial governments—with regard to higher education—have taken on various forms in the last thirty-five years and still remain a stumbling block in postsecondary funding.

In Ontario, many exciting things were happening in the postsecondary education sector in the 1960s. This decade experienced the establishment of many organizations; founded during this period were the Council of Ontario Universities (1962), the Ontario Council on Graduate Studies, the Ontario Confederation of University Faculty
William Davis made one of the most important changes to the Ontario higher education system in 1965 when he announced the creation of a new type of institution called the College of Applied Arts and Technology (CAAT). They were created to answer the need for specific vocational and technical training programs in addition to other apprentice-type educational endeavors and a deliberate binary system in the province.

Expansion in the 1970s was slowed due to the recession and, with few exceptions, the postsecondary education sector in Ontario has changed very little since the major restructuring of the 1960s. Over the years, the government has grappled with the same issues of institutional autonomy, regulation of degree granting, and the equal treatment of institutions within each sector with universities reacting to each government initiative.

Always an important issue has been the change in the way the university sector has been funded in Ontario since 1967. This has varied greatly from tax abatements coupled with cash adjustments monitored by the federal government, to a scheme called the Established Programs Financing (EPF) in 1977. The EPF was created to replace the three conditional grant programs (Medicare, hospital insurance, and postsecondary education) into one formula. While this system of transfer payments has been modified significantly throughout the past twenty-five years, the underlying spirit of the program remains to this day renamed as the CHST.

In Ontario, there have been a few major developments in the past twenty-five years. The passing of the Degree Granting Act in 1983 gave the provincial government overwhelming power to decide which universities would be permitted to grant degrees. This powerful piece of legislation had no equal anywhere else in the world and remains
one of the most unique aspects of Ontario’s higher education system. The 1990s have witnessed two very different styles of government in Ontario with the left leaning New Democrat Party (NDP) in the early part of the decade and the Progressive Conservative Party (PC) in the latter part. The NDP, with their Social Contract, essentially committed funds to social programs (including education), but with no fiscal responsibility. The deficit that was run up by the NDP ensured that a new party would be in power and the PC party quickly filled the void with its “Common Sense Revolution.” This new government reduced the total allocations to higher education by 15% and allowed tuition to increase by an average of 10%. In addition, the Ontario government encouraged universities to continue to deregulate international tuition fees for more revenue, a measure that was first suggested by the NDP government before it. The PC government has brought operating support and accountability to the forefront of its discussions on postsecondary education in Ontario, going further than the previous provincial Liberal government’s work on the issue.

The accountability argument has been one of the more controversial issues during the current Conservative government’s tenure. As Michael Skolnik notes in his article entitled University Accountability in Ontario in the Nineties, the first problem about accountability is that it is difficult to come to an agreement on what the word means. Skolnik outlined four of the more common uses of the term. Accountability could refer to accounting, in reference to proper financial reporting; efficiency, in the sense of avoiding waste and redundant tasks; effectiveness, whether the results met the desired outcome; and value, whether funding to institutions by the government was justified by the future return. Accountability came into vogue in Ontario politics when, in 1988, the
Provincial Auditor decided to examine three universities to determine if they followed adequate accounting practices. The universities, with three years of political wrangling over the issue, forced the NDP to establish a Task Force on University Accountability (TFUA) in 1991. It was charged with finding out: “to what extent can the public be confident that public monies are being spent effectively in a fashion that meets the public needs.” The Task Force’s final report called for the governing body of the institution to be responsible for accountability practices while working in conjunction with an independent, external monitoring agency. The findings of the report raised new questions about how the accountability of public universities in Ontario could be reconciled with institutional autonomy.

**Differences in the American Higher Education System—Useful Comparisons**

While the Canadian model developed into what has been popularly described as a public provincially directed system, the United States developed a remarkably dissimilar system of higher education. Like Canada, the first three American colleges were founded with strong ties to various religions. Harvard College, founded in 1636, was affiliated with the Calvinist religious tradition. William and Mary was linked with the Church of England with no regular college instruction until the 1740s when it took on a more Anglican stance. Yale College remained true to the Reformation movement until the mid-seventeenth century, well after its demise in other circles. All three of these pioneer institutions received financial support from their respective colonies up until the Declaration of Independence. This was most likely the result of an understanding of the public need for education at a time when there were no public institutions to fund. This
was due to an This period also saw the founding of many private institutions, as was the case in Canada up until the British North America Act. For the first few years of post-independence America, the new sovereign states started to make provisions for higher education. Between 1776 and 1800 many new institutions were created in Maryland, Georgia, South Carolina, North Carolina, and Vermont. But by the end of the eighteenth century, there was no functioning model of a state college; the states had appropriated funds for the establishment of a public sector but had then cut them off, leaving this sector in a state of confusion until the 1820s. It was unclear who owned the colleges, what their mission should be, and what the students should be taught. What this amounted to was an ambiguous mix of public function and private control. The confusion was not cleared up until a Supreme Court ruling concerning Dartmouth College. In their ruling, the Court argued that New Hampshire could not alter the charter of an "eleemosynary corporation" like Dartmouth. This court decision effectively guarded against the meddling of governments, which led to a triumph of privatization in the United States up until the American Civil War.

The Morrill Land Grant Acts of 1862 and 1890 tempered this new craze of privatization. The Morrill Act of 1862 intended to democratize higher education by donating lands for use by state-run higher education institutions. This first Act failed because it did not meet the new demand for higher education in the United States. It in no way democratized education as it had originally intended. The Second Morrill Act (1890) rectified the situation by giving the new institutions annual operating grants from the federal government that were mainly for research. Even though this second Act saw an unprecedented increase for federal funds, private philanthropy was still increasing at
an impressive rate. New institutions, especially private women’s colleges, were being created from 1861-1875 through private means.

The twentieth century began with Americans trying to figure out the mixture of institutions within their system. Just before the turn of the century, a standardized definition of what constituted an American University was created. A clear delineation between private and public institutions was made based on differences in resources. The 1960s saw the same effects that were evident in Canada as flagship state schools were stretched to the limit with the sudden increase in enrolment numbers. Public community colleges opened between 1965 and 1972. At the same time, private institutions became more selective with stronger academic programs. This private/public mixture of institutions has endured to the day and is in sharp contrast to the swallowing up of private colleges that took place in Ontario in the 1960s. Roger Geiger, in his book *Private Sectors in Higher Education*, outlined the strategy of federal policy within the dual public/private American higher education system:

Since the overall thrust of federal policy in higher education has consistently been to achieve specific objectives within the context of the existing system, the government has generally attempted to avoid actions that might distort the institutional balance. This concern has tended to work in favor of the private sector—the smaller and on the whole financially weaker part of the system.

In essence, the difference between the American and Canadian systems of higher education should be attributed the strength of government policy toward the creation of the welfare state. In this context, it is not difficult to understand that the Canadian system, with its more socialist-oriented domestic policies—derived from its British colonial heritage—witnessed private higher education disappear from the educational landscape. It is equally simple to see why the United States, in its capitalist society
One: Understanding Private Higher Education

(devoid of any colonial underpinnings), has allowed private universities to continue to flourish. Relying on private donations and strong academic reputations, the American private university was never in danger of being brought into a national system.

A Comparison of the University of Toronto (Toronto, ON) and Harvard University (Cambridge, MA): Understanding the Public/Private Distinctions

Understanding the contrasting histories of higher education in Canada and in the United States, a useful exercise would be to compare an established public institution from Canada with an equally established private institution from the United States. The University of Toronto and Harvard University have been chosen for this analysis. The University of Toronto has a reputation of being the best institution in Canada and among the leading world research universities. Harvard University has enjoyed a similar distinction with a reputation that is unparalleled anywhere in the world. The University of Toronto’s total enrolment in the 1998-99 academic year was 52,797. Of this total 39,976 were full-time students while the remaining 12,821 were registered as part-time students. The undergraduate population was comprised of 43,139 students compared to over 9,658 graduate students. There are 1,712 tenured or tenure-track faculty. The University offers study in the largest array of undergraduate and graduate subjects, and boasts successful professional programs in Law, Medicine, MBA, and Education. It is a complex institution with a strong commitment to research. Harvard University, established in 1636, has a much smaller undergraduate population with a greater emphasis on graduate education. There were 6,704 undergraduates and 10,901 graduate students registered at Harvard during the 1998-99 academic year. Harvard University has about 2300 tenured or tenure-track faculty. The university was established after the death
of John Harvard who bequeathed half of his estate to create a new institution in the Boston area.30

Harvard University is known as a private university while the University of Toronto is typically regarded as a public university. Yet these distinctions, public and private, cannot be so easily accepted by those who study higher education. In fact, it is perfectly logical to label the University of Toronto as a private institution because of its relatively high level of institutional autonomy. Officially, the University of Toronto is known as a private university. On the other hand, it is not difficult to describe Harvard as a public institution with its commitment as a leader in public research, which comes with it significant government grants for contract research. By looking at a number of indicators as possible determinants of “privateness” in the higher education sector, a clear delineation between public and private will be made.

Governance
Governance is one aspect of determining the amount of autonomy afforded to an institution. Both Harvard and the University of Toronto have similar governing structures modeled after the unicameral style. In essence, this consists of just one board that makes most of the operational, administrative, and academic decisions that concern the university. It contrasts the bicameral structure prevalent in almost all Canadian institutions, which usually takes the form of a Board of Governors or Trustees and an Academic Senate. Harvard and the University of Toronto do not have an academic senate. The governing body at the University of Toronto is called the Governing Council and is comprised of fifty elected members. Twenty-five of these members are from
Table 1. Comparison of the University of Toronto and Harvard University

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<thead>
<tr>
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<th>University of Toronto</th>
<th>Harvard University</th>
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<tr>
<td>Year Founded</td>
<td>1849</td>
<td>1636</td>
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<tr>
<td>Total Enrolment (1998)</td>
<td>43,000 (Undergraduate)</td>
<td>6,704 (Undergraduate)</td>
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<tr>
<td></td>
<td>9,500 (Graduate)</td>
<td>10,901 (Graduate)</td>
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<tr>
<td>Faculty</td>
<td>1,712</td>
<td>2,300</td>
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<td>Governance</td>
<td>Governing Council</td>
<td>Harvard Corporation and Board of Overseers</td>
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<td>Accreditation</td>
<td>By Provincial Charter</td>
<td>By law, Commonwealth of Massachusetts</td>
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<td>Direct Government Grants</td>
<td>37% of total income</td>
<td>0% of total income</td>
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<td>Endowment Income</td>
<td>3.3% of total income</td>
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within the university that include twelve teaching staff, eight students, two administrative staff, the President and 2 senior officers appointed by the President. The remaining twenty-five members of the Board include sixteen provincially appointed members, eight alumni, and the chancellor. This unicameral structure replaced a previous bicameral structure on the 1st July 1972. A Provincial Statute put the unicameral structure into effect. The University, as a public institution, can only change its governing structure with legislation, an important public/private distinction. The structure has been reviewed four times since its inception. The first review painted the new structure in a favourable light, while each subsequent review determined that there was dissatisfaction with the unicameral structure. Nothing was done until the 1987-88 Governance Review. This
review suggested that the University of Toronto make structural changes that would not require a formal amendment to the existing Act, as would be necessary for this public institution. In essence, the changes made kept the same unicameral structure, but incorporated a number of new Committees and Boards while merging or deleting others. This structure has endured to the present.

Harvard has a similar governing body called the Harvard Corporation and Board of Overseers. The Board of Overseers is made up of 30 members elected at large for a six-year term. They are responsible for providing formal consent for major initiatives and providing advice for various official issues at the university. The Board of Overseers is made up largely of alumni. While state officials may serve on the Board if they are elected, it is not a requirement as is the case with the Governing Council at the University of Toronto. The Harvard Corporation, a component of the structure unique to Harvard, is made up of a few members from the Board of Overseers. The Harvard Corporation looks after the finances at the University. This includes, but is not limited to, the investment of the endowment and the various financial commitments at Harvard. As it will become apparent, with the endowment being such an important source of income for Harvard, its preservation and growth is of the utmost importance. Regardless, both universities enjoy a large amount of autonomy in their day-to-day operations. Even though the University of Toronto does have provincial representatives on its Governing Council, they do not represent a majority and many come in with bipartisan agendas. Even so, the University of Toronto is limited by regulations on the setting of tuition fees with a continued dependence on the government to provide up to one third of its revenue through
earmarked grants. Harvard University has never concerned itself with these kinds of limitations on autonomy.

Degrees and Accreditation

The original King's College, a college within the University of Toronto, received degree-granting status by Royal Charter in 1827. The University of Toronto itself received its provincial charter in 1849, which gave the university the right to grant degrees. Professional bodies accredit its professional programs. The Ontario Council on Graduate Studies (OCGS), an independent body, must accredit all graduate programs requesting public funding. At Harvard, accreditation is completed by the state of Massachusetts, with periodic reviews by independent accreditation committees. After being founded by a vote of the General Court of the Colony of Massachusetts Bay, Harvard was granted a charter in 1650 and it began to grant degrees. It was recognized as a university by the new state constitution in 1780. Professional bodies accredit the professional programs at Harvard.

The Ontario Degree Granting Act (1983) makes certain that the number of degree-granting institutions in the province remain highly regulated. No such Act exists in the state of Massachusetts, though accreditation is more extensive. In fact, the Boston area has the highest concentration of degree granting institutions in the world. While the highly regulated structure of the Ontario system keeps quality high, the Massachusetts structure allows for a wider variation in quality. Some institutions are as good or better than many of the top institutions in Ontario, while the worst institutions in the state are comparatively far below the standard north of the border. Both methods of recognizing the legitimacy of degrees (independent accreditation in Massachusetts and provincial
regulation in Ontario) help protect the autonomy of the institutions. However, some have argued that the Ontario government's emphasis on accountability may limit this autonomy in the coming future.

**Government Funding**

Government Funding is a broad term in higher education as it can be interpreted to mean any form of grants or aid from the government. Government funding includes direct operating grants, federally sponsored research grants, federal student aid packages, and property tax paid by the government on behalf of the public institutions. Both Harvard and the University of Toronto use some if not all of these forms of government funding to a degree. At the University of Toronto for the fiscal year ending 30 April 1999, 46.7% of its revenue was generated through direct general operating grants from the provincial government. This percentage was broken down into government grants for general operations (37.2%) and government and other grants for restricted purposes (9.5%). The 9.5% for restricted purposes includes federally sponsored research and infrastructure. Federally sponsored research accounted for roughly $165 million in grants from the government in the 1997-1998 fiscal year. University of Toronto students received $109 million dollars from the government through the Ontario Student Assistance Plan in the 1998-99 academic year. The University of Toronto does not pay property tax. The government grants for general operations are divided up by way of a funding formula that has been used in one form or another since the 1967-68 fiscal year. It followed from a recommendation by the Bladen Commission in 1965. This Commission suggested that a funding formula based on enrolment was the most objective method of dividing up funds to the many institutions in the postsecondary sector. The funding formula is "an
enrolment based grants mechanism employed to provide an objective method for determining grant allocations to individual institutions which is supposed to promote equity in the process. Building blocks of this formula have remained intact since the idea was conceived in the late 1960s. It includes the Fiscal Full-time Equivalent student enrolment (FFTE), Basic Income Unit (BIU), Standard Fee, and a Basic Operating Income. A major modification in the present formula is that the government operates a corridor system to account for fluctuations in enrolment of +/- 3% of an institution's Basic Income Unit. Many have argued that these funding "corridors" make the actual formula ineffectual.

At Harvard the broad term of "government grants and contract receipts" accounts for 17% of the institution's total income for the 1998-99 fiscal year. This accounted for roughly $288 million (USD) in income for a university with a total operating income of $1.75 billion (USD). This percentage was largely funds from federally sponsored research projects. The largest contributors of federal funds for research at Harvard were the National Institutes of Health (contributing $182 million), the National Science Foundation (contributing $24 million), the Agency for International Development (contributing $25.5 million), and the Defense Department (Contributing roughly 12.6 million). In addition to these four large research grants, the National Aeronautics and Space Administration, the Department of Energy, and the Department of Education all contributed large grants to fund research at Harvard. In the 1998/99 academic year, Harvard students received $114 million (USD) from the federal government in loans and scholarships.
The United States federal government has given funds to many private institutions for research and student aid for a number of years. In the 1960s, the federal government provided several private universities with funds to be used for institutional expansion. With the exception of the unique institutional expansion grants in the 1960s, the United States government indirectly subsidizes private higher education though financial aid programs and specific research projects. The reason for the government’s involvement with the private higher education sector in the United States is based on two things: services and policy. The federal government recognizes that many of the nation’s best researchers work in private institutions, and to not contract out their services because of their institution would be nonsensical. Also, the federal government must try and maintain equality in the higher education sector by making sure that students are not choosing schools based on ability to pay. As is the case in Canada, this creates a federal student aid program, with the money going to the university chosen by the prospective student. These are the two rationales for government involvement in private higher education in the United States. In Canada, the research contracts and student aid are awarded in addition to the main operating grants from the federal government. These contracts and aid are in a different category and are tabulated in addition to the previously established transfers from the province.

Tuition

Tuition is one area where the universities should differ greatly. The undergraduate cost of tuition at Harvard University was $22,054 (USD) in 1999. Tuition fees at the University of Toronto were $3,835 for a Bachelors of Arts program and $5,639 for a Bachelors of Science degree for the same year. Student income at Harvard,
Figure 1 University of Toronto Income, 1998/99.

Figure 2 Harvard University Operating Income, 1998/99.
compensating for financial aid, was 26% in fiscal year 1998-99. At the University of Toronto, student fees (subtracting student aid awards from the University) were 24.1%. Recently in Ontario, tuition fees have come to play a larger role in a university’s operating income as the provincial government has completely deregulated international student fees and raised the once highly regulated domestic tuition fee ceilings. While tuition fees are higher at the University of Toronto, they are still regulated for most programs by population. At Harvard, tuition fees have always been an important source of income, though it should be noted that Harvard is much more generous with its student aid budget.

*Endowment and Private Gifts*

The University of Toronto’s endowment was in excess of $1.2 billion at the end of the 1998/99 fiscal year. It is the first university in Canada to create an endowment past the one billion dollar mark. This level has increased $480 million since the university started a campaign in 1995 to increase fundraising. In the 1998-99 year alone, over $135 million was donated to the university. Of these donors, 31% came from “friends,” 27% from alumni, and 25% from corporations. While the level of the endowment and annual giving is an accomplishment for the University of Toronto, it pales in comparison to many private and large public institutions in the United States that have endowments many times larger. Some of these institutions with richer endowments have only a fraction of the number of students at the University of Toronto, yielding a much larger per-capita endowment. Harvard’s endowment is currently estimated at over $14 billion (USD). The investment income on endowments at the University of Toronto accounted for roughly 3.3% of the total income for the 1998-99 fiscal year. The amount of
endowment income that contributes to the annual operating income of Harvard is a staggering 23%. Herein lies the disparity in private funding between the University of Toronto and Harvard. Endowment income accounts for the second largest source of revenue at Harvard.

These large endowments are created through private and corporate donations. While historically Canada depended on private donations and gifts to create and maintain higher education institutions up until the early 1960s, the large increase in university endowment at the University of Toronto shows a renewed interest in this source of revenue. The United States has not faltered from their dependence on private gifts to fund its operations and programs, and the huge sums that Harvard has accumulated over the years clearly indicate this. Philanthropy in the United States is unparalleled anywhere else in the world due, in part, to differences in tax treatments. In comparison with Canada, the United States treatment of charitable giving and income tax deductions is much more generous. The Association of Universities and Colleges of Canada (AUCC) published a statement on the Canada/U.S. comparison:

Comparisons with the United States reveal generally more proactive or generous treatment there, and it has been noted that significantly larger gifts have been made by Americans than Canadians. The cause/effect relationship is not simple, of course. Historically Americans have espoused a somewhat different role for their governments than have Canadians, and their stronger adherence to private institutions and services has been accompanied by a similarly stronger habit of private giving, with tax provisions both encouraging and accommodating these preferences.

The AUCC recognized the striking differences between the Canada and U.S. in encouraging charitable donations. It specifically identifies a capital gains exemption that exists in the United States, along with the provision that 100% of a donated asset's fair
market value can be deducted from taxable income. Tax laws in Canada do not go far enough to encourage private individuals to donate gifts to universities.

Another component of giving that is unique to the American case is alumni support. While some forms of alumni support are exhibited at institutions all over the world and at many institutions within Canada, the level of support at Ivy League institutions like Harvard is distinct. For instance, the annual alumni giving rate at Princeton University in New Jersey is well over 60%, a level of support that unheard of anywhere else in the world. Well-funded alumni relations and development offices within the universities maintain these numbers, and it represents a resource too often overlooked in the Ontario public sector. However, this is not surprising because it is most likely that an alumni’s propensity to give to a campaign is connected to a need for the funds. Giving to public institutions may be marginalized because of the understanding that this is the role for government, an idea that contrasts the American stance with its historical dependence on private institutions. This is coupled with the notion that many graduates of elite, private universities in the United States tend to establish far greater attachments than their counterparts in state and provincially-run institutions. Governments and institutions should determine what is causing the discrepancy in charitable donations in education between Canada and the United States. The differences in tax laws and popular perceptions concerning the need of private gifts in the university sector should be further examined and changed to create a more favourable environment for private giving in Canada.
Legislation and Documents on Private Higher Education in Ontario

Noted earlier, Ontario has a strongly worded *Degree Granting Act* that was enacted in 1983. The Act limits the number of institutions that may grant degrees. The amount of power that this Act gives the government to choose the universities that may grant degrees in the province is unparalleled anywhere else in the world. In this Act, private institutions may only be allowed to operate in Ontario if they are given "ministerial consent" to do so. This practice is done from year to year through applications forwarded to the Ministry of Training, Colleges and Universities for approval. If an institution is granted ministerial consent, it is usually good for only three years, after which the Ministry may renew it. The Ministry of Training, Colleges and Universities differentiates between not-for-profit private institutions and for-profit (proprietary) institutions. The DeVry Institute of Technology is an example of a proprietary institution that is petitioning for degree granting status in Ontario while Redeemer College is an example of a nonprofit institution that, in 1998, received the power from the provincial government to grant Bachelor degrees. Previously, Redeemer was only able to grant theological degrees.

One of the most important factors to consider when establishing a university in a jurisdiction generally opposed to private higher education ventures is the political climate. The debate surrounding the acceptance of private universities in Ontario has been well documented by various official and unofficial reports in the last fifteen years. In 1989, the Ontario Council of University Affairs (OCUA), Institutional Policy Committee wrote *A Discussion Paper on the Establishment of Freestanding Secular Degree-Granting Institution in Ontario*. In this paper, the OCUA tried to differentiate
between a public and private institution. At the time of the writing of the OCUA paper, the only free standing institutions were denominational colleges. The reason for the writing of the OCUA report was that Redeemer College, one of the religious institutions at the time, requested full degree granting authority. Redeemer College’s unique situation is examined in the next section.

The Council’s report followed a list of guidelines for whenever the time would come for freestanding, degree granting universities. The guidelines suggested that it was up to the government to provide adequate access to university education, that the quality of university education remain high, and that no provincial capital or operating grants be made available (though students would be eligible for OSAP and tuition tax exemptions). The report further noted that the term ‘university’ should be reserved for freestanding institutions with similar structures as the provincial assisted universities including academic freedom and tenure. It was not until 1996 when the government’s policy on private education started to become clearer. An advisory panel was created that was chaired by David Smith, past principal of Queen’s University. The “Smith Report” was many pages long but included a few important pages under the heading “A Limited Role for Privately Funded Universities.” This section supports the introduction of private, not for profit universities being given degree granting authority, but discouraged the proliferation of “for profit” universities.

In the past year there have been many developments that have brought Ontario closer to accepting private universities. The Ministry of Training, Colleges and Universities recently published a consultation paper entitled Increasing Degree Opportunities for Ontarians. This paper, published in April 2000, made a limited
statement that private universities are an option for the future in Ontario. It emphasized the need to control quality by the government with a "quality assessment board." The current Conservative government in Ontario has been a proponent of privatizing services that were previously publicly financed, though this has never been applied in the higher education sector. This government has also drastically reduced funding for postsecondary education in Ontario while applications continue to rise dramatically. In constant dollar terms, operating grants have decreased 24% from the level they were at in 1992-93, while tuition fees have been deregulated to account for the decrease in grant funding. In addition, provincial operating grants have decreased by 28% between 1987/88 and 2000/01 (in constant dollars per student) with tuition fees rising 115% over the same period. Private universities could be regarded as one way of alleviating both of these problems. A decrease in funding for public institutions, together with an increase in forecasted enrolment, provides a good opportunity for the establishment of private institutions in Ontario to help bridge the gap.

Advantages and Disadvantages of Private Universities

Many interested parties from Ontario have weighed in on the debate of the merits and shortcomings of private higher education. Some argue that private institutions will tend to be more efficient because their income is not always guaranteed. Private institutions, unlike their public counterparts, have more motivation to find efficiency in their operations in order to keep key revenue sources (like student tuition) from spiraling skyward. The efficiency argument follows the market demand model. If a private university’s operations were inefficient, tuition fees would become higher and fewer
students attend the institution because of the undesirable higher costs. While a similar situation could occur in the public sector, it is more prevalent in the private sector. In fact, efficiency in the private sector could have an effect on the coexisting public sector in the form of competition. In general, the relative lack of accountability in the public sector with its annual provincial operating grants may become more efficient because of a complementing private sector. This market driven efficiency argument has not met without criticism. Some argue that a private university is not driven to be more efficient by market forces because an academic institution does not behave the same way as a private corporation. While a corporation is driven by profits as its sole reason of being, a nonprofit academic institution by its very nature does not seek a profit. Geiger argues that academic institutions exhibit inertia unless induced to do otherwise. He identifies four inducements that may force an institution to change: competition, external stimuli outside the system, political actions taken by the government, and proactive/anticipatory planning. Geiger attributes the first two inducements as more likely for private institutions and the latter two inducements as more fitting for a public institution. Without some form of competition or external stimuli outside the system (like a recession), it is unlikely that private institutions will change to become more efficient without cause to do so.

The argument that private universities will bring a higher level of quality is connected to the efficiency argument. With a more efficient, highly competitive environment, an institution will generally provide a higher quality education. This is again because of the accountability argument. In essence, the university is accountable to the students who are paying a higher price for their education; every administrative and
academic component of a university is held accountable for providing a high quality product in the most efficient manner. In contrast, the public system has less incentive to provide quality education as students choose between like-minded institutions with public funding. However, this argument has lost its appeal over the last several years as public institutions in Ontario are being held more accountable and compete more often for students. The quality argument favouring private institutions can also be illustrated as a disadvantage. A high quality institution is not always an advantage if the goal of a system is to increase access since high quality can also mean increased selectivity. In addition, while public universities are held accountable to the government and must uphold certain standards in order to receive funding, private universities may not be held to the same standards if there is no public mandate to regulate the standards of private degree granting institutions. For instance, a newly formed private university might have a very different idea of what a Bachelor of Science degree in biology may look like while all of the public universities have a very similar program. The Ontario government has proposed a board that would oversee the quality of new institutions but many believe that it does not go far enough.

Another important argument is that introducing private universities to Ontario higher education creates another level of systemic diversity. Robert Birnbaum, a scholar who studies diversity, believes varying the types of institutions and thus creating greater diversity is one of the ideological pillars of higher education. He identified two reasons why diversity was critical in any system of higher education. First, diversity more effectively meets institutional and societal needs. Second (and more importantly), "through differentiation of component units [diversity] leads to stability that protects the
While the current system in Ontario does have other types of diversity, there is a lack of systemic and programmatic diversity in the province. A private institution in a peripheral sector could provide more innovative programs, providing something that was not previously available. Birnbaum went even further than this by stating that the loss or absence of the private sector in higher education would mean even less diversity than just systemic diversity; the private sector itself has more diversity than the public sector elsewhere. Without regulation from the government, these private institutions will take the initiative to fill niches and produce innovations that would not have been attempted by more mainstream public institutions with little incentive to change.

However, higher education systems tend to produce norms that are not so easily transcended by institutions. This goes expressly against the innovative, niche institution that the private sector is supposed to provide.

At the time Birnbaum (1983) was writing, he predicted that the future declining resource base for universities would favour more public institutions, while he still acknowledged the importance of fair competition in the student marketplace.

The diversity example is one of the more compelling arguments for private institutions. In essence, private higher education uses a source of revenue that was not explicitly tapped into by the public sector by relying on student fees and private funding. When looking at the entire picture of the higher education system, the introduction of private education into mixed, parallel or peripheral systems of higher education identifies funding sources that have long been ignored by the public sector in Canada. While private giving is one source of revenue for public institutions in the province, it is nowhere near the levels in the United States. The introduction of private nonprofit
institutions into the province would explicitly extract new sources of funding into the system, affecting the quantity and quality of education. The end result is the potential college bound student has "more higher education available, more options to choose from, and institutions suited to their cultural preferences." In contrast, one of the most persuasive arguments against private universities is that education should be regarded as a public good; education, it is argued, should be funded and protected by the government, in part formed by enforcing minimum standards and funding uneconomic programs. Every eligible student in the province should be able to go to university and should not be barred from admission on the basis of lack of space or lack of funds. This has been a popular slogan hammered home by governments all over the world. Many opposing politicians and community leaders believe that the introduction of private universities into the province goes directly against this purpose.

Conclusion

This section has looked at the history of higher education in Canada—with a particular emphasis on Ontario—and compared it with the history of higher education in the United States. The historical significance of these two countries and their place in understanding private higher education may not be entirely clear at first. It is not important to ask simply what happened, but rather what changed and what stayed the same in each country. Why did Canada decide to bring all its institutions under provincial control and how did the United States escape from doing the same? Looking at the history of higher education in Ontario, it is evident that the province has come full circle to once more accepting private institutions into the province. But the long process that Ontario has
gone through to establish its current system begs the question whether such a move would disrupt the current balance. This is in sharp contrast to the history of higher education in the United States. By all accounts, the government played a limited role in trying to incorporate private institutions under state control, though there do exist some highly centralized higher education systems in the United States. While both Canada and the United States grappled with the same issues of access and quality, the United States managed to make higher education accessible while holding on to private institutions. This is undoubtedly due to the greater emphasis on individual achievement in American values that is in sharp contrast to the Canadian emphasis on social assistance. Healthcare is another glaring example of how much the values of these two countries differ.

While the comparative perspective of the two diverse higher education systems in the United States and Canada provided some insight into the difference between public and private education, the comparison of present-day institutions in each of the two sectors was even more compelling. Comparing the University of Toronto and Harvard University brought out intriguing similarities and differences. Both depended on government funding for support, though the types of funding differed between them. Harvard tended to rely on indirect forms of government support through research contracts and student aid, while the University of Toronto also relied on this indirect support. In addition, the University of Toronto depended on direct support from the provincial government in the form of operating grants, whereas Harvard did not. The university depended on these transfers from the government for its day-to-day operations. Direct grants from the government were not listed in Harvard University's income.
While the two institutions surprisingly depended an equal amount on tuition to fund their operating budget, the largest disparity was found in private gifts and donations. This was a major source of revenue for Harvard and only a comparative fraction for the University of Toronto. It clearly illustrates that philanthropy and private giving are important parts of private sector funding in higher education.

The discussion paper published in April 2000 by the Ontario government has opened the door to private higher education in Ontario, yet there still remain a few hurdles to overcome. The 1983 Degree Granting Act is a strong document that gives the provincial government enormous power to regulate degree granting in Ontario. However, with the new discussion paper the government appears open to allowing certain institutions into a peripheral private sector of higher education. The next chapter will analyze examples of peripheral private higher education sectors in Canada and abroad. It will also examine proposals of private institutions in Ontario in addition to the current situation for already established private institutions in the province. By studying the successes and failures of peripheral private sectors of higher education in other jurisdictions while keeping in mind the circuitous route the province has taken to arrive where it is today, a better understanding of the future for private institutions in Ontario will be realized.

Notes

2 A distinction should be drawn between "state" denominations and other denominations with regard to education. In the United States and Canada, the official state denomination in the early part of the higher education movement was Anglican. In Quebec, the official religion was Roman Catholic. While these religions dominated the education scene, other religions were present.
The binary system had a clearly public college sector in the form of the CAATs coupled with the university sector. These two sectors carried with them different degrees of status, the most significant indicator being the degree-granting status of the province's universities.

This Act, like the first one, made provisions for those states that did not exist in 1862 (or in rebellion).

This includes the pension fund.
The discussion paper was an official report, but the government did not act on the OCUA's findings.


Ibid., xi, 4.

The opinions voiced in opposition to private universities in Ontario have included the Canadian Association of University Teachers, the Canadian Federation of Students, and the Council of Ontario Universities. Past and present Ministers of Colleges and Universities, MPPs, university presidents and others have weighed in on either side of the debate. The opinions of all involved are too extensive to all be conveyed in this section.

Ontario Legislative Library, *Private Universities in Ontario*.


This assumes that students value a high quality education, which may not always be the case.

Depending on the extent of centralization within a system and its funding scheme.


Ibid., 175.

Ibid., 242.

Ibid.

The apparent anomaly of highly centralized state-run higher education systems can be accounted for by explosive enrolment increases. It was out of necessity that states like California and the State Universities of New York came about. Private institutions would not expand fast enough.

While it is true that Harvard has not received operating grants directly from the federal government, this was not always the case. In the 1960s and early 1970s, to contend with the rising enrolments in higher education, the United States government did provide direct grants to private institutions. See *Private Sectors in Higher Education*, 201-202.
Chapter Two

Analysis of Established and Proposed Peripheral, Private Sector Higher Education Institutions

The mention of private higher education to any student politician at a public university in a public higher education system elicits cries of gross injustice and highway robbery. As was evident from chapter one, many associations including the Council of Ontario Universities and the Canadian Association of University Teachers are strongly opposed to the idea of establishing private institutions in Ontario. While it is always important to take in opposing viewpoints and weigh them against each other, it is even more useful to look at past experiences in similar jurisdictions. As Canadian provinces come to a decision about whether to accept the proliferation of private, not-for-profit institutions into the higher education sector, it is essential to look at how countries with similar education systems like Great Britain and Australia have managed. These two countries have survived the establishment of two private institutions that were immersed in their respective public systems of higher education. The results are mixed, raising important issues in these two experiences.

Of equal importance to the experiences in Australia and Great Britain is the situation in Canada today. There are currently two proposals on the table in the provinces of British Columbia and Ontario. Prominent past participants in the Canadian higher education scene lead both projects, which gives the institutions immediate credibility.
More important than the credibility of these two projects is the actual plan for the two universities. How will programs be delivered? What kind of students will be attracted? How will it be financed? If the provincial governments in British Columbia and Ontario accept private, not-for-profit education, Canadians need to know what kind of institutions will be operating in this realm of the higher education sector. This chapter examines the past examples abroad and the current proposals in Canada to determine the possible benefits and drawbacks of a Canadian peripheral private higher education sector.

**Established Higher Education Institutions in Peripheral Private Sectors: Great Britain and Australia**

It is useful to examine the private institutions that have been established in Great Britain and Australia. The higher education systems in these two countries are similar to the system in Canada; both are state run systems with strong restrictions on degree-granting authority. A study of what has occurred with reference to the University of Buckingham in Great Britain and Bond University in Australia is beneficial for understanding the future impact of private universities in Canada. It is plausible, if not certain, that many of the problems and solutions that arise in Great Britain and Australia as a result of the introduction of these private institutions would become apparent in Canada as well.

**University of Buckingham (Great Britain)**

The establishment of the University College at Buckingham (later renamed the University of Buckingham) was the first attempt at creating an independent, privately funded institution in a predominantly publicly run higher education system. Buckingham first opened its doors on February 6, 1976 to the joyful onlookers intent on working
against the "dead hand of uniformity."\textsuperscript{1} John Paulley started the idea of creating the University of Buckingham inadvertently in his letter to the \textit{London Times} in May 1967. In this letter, Paulley clearly voiced his disapproval of the higher education system in Britain at the time and suggested that the establishment of a private institution may help institute a positive change.\textsuperscript{2} He cited the successful American example as clear evidence of the success of private higher education. Three conferences were held in London in 1968 and 1969 on the subject as many academics took up the argument. A declaration was drafted out of these conferences that was signed by many influential academics and administrators at the time.\textsuperscript{3} In little time Sir Sidney Caine, the former director of the London School of Economics, became the leader of the Planning Board for an independent university in Britain. Throughout these beginning years of university planning, the various members were big on ideas and low on specifics. There was little doubt that the university would compete with the state funded institutions, but nobody had a strong sense of what the institution would look like.\textsuperscript{4}

If there was one "buzz word" that would describe the focus of the discussions surrounding the establishment of University of Buckingham, it is "legitimacy." Many wanted the new university to have legitimacy in the context of the surrounding public system; a legitimate financing scheme was sought out, as well as a legitimate academic staff. Some of this legitimacy was achieved in the form of an impressive academic faculty comprised of many senior academics with established research skills. Fortunately for Buckingham, it was a buyers market for professors at the time. Coupled with the idealism associated with the project, Buckingham had little problem attracting a faculty at least comparable to the adequate state institutions.\textsuperscript{5} The legitimacy factor in comparison
to the state system took more time. After its fourth year, the University College at Buckingham had only 270 students registered. In addition, the university did not have the authority to award degrees. In Britain, universities are given degree-granting power through legislation or the granting of royal charters. In the case of those new state institutions created in the 1960s in Britain, these institutions began with charters and immediately were able to grant degrees. The difficulty for Buckingham, in the early years, lay in its credibility. Unable to grant degrees until it had proven its worth, the university was left with the unenviable position of attracting students without the possibility of offering a Bachelor of Arts degree. The university got around this problem in a couple of ways. For one, Buckingham’s main students were looking to move into business and the private sector where the actual training was more important than the actual degree. In addition, the university’s emphasis on law and accounting programs needed formal recognition from their respective professional bodies. After Buckingham’s professional programs were given formal recognition, the university was on its way to being able to grant its own degrees. In February 1983, the University College at Buckingham was given authority to grant its own degrees by royal charter and its name was changed to the University of Buckingham. This was after eight years as a university without a royal charter. In this eighth year, the university had enrolled 470 students with 40 academic staff. At the time of the granting of the royal charter, the university had three schools of study in law, economics, and accounting. In addition to these three schools, there were three interdisciplinary programs. They were in politics, economics, and law; history, politics, and English literature; and biology and society.
There are currently 600 at the University of Buckingham students (representing 0.1% of the entire British university population) and the curriculum has gone through a few moderate changes since 1983. The University now offers programs in the four disciplines of Business, Law, Humanities, and Sciences. Within these four programs, the subjects offered are varied. In Business, one can study Accounting and Finance, an accelerated MBA, or International Hotel Management, among others. The Science program consists of courses in psychology and information systems only. Also new since 1983 is the introduction of the Foundations program, a pre-professional preparatory curriculum for students with poor English. While the University of Buckingham has had some crises in the past, it shows no signs of closing in the near future.

**Bond University (Australia)**

Alan Bond, a wealthy Australian businessman founded Bond University in 1987 in conjunction with a Japanese company. It did not suffer from the same problems as University of Buckingham in that it was given University status (making it able to grant its own degrees) by the State of Queensland in 1988 with the “Bond University Act.” The university accepted its first students in May 1989. It is an accredited member of the Australian Vice Chancellor’s Committee and the Association of Commonwealth Universities. The campus was created by Daryl Jackson and consists of numerous sandstone buildings for residences and academic facilities, an extensive University Centre, and a picturesque piazza among other landmarks.¹⁰ The cost of this campus when it was being constructed in the late 1980s and early 1990s was approximately $186 million (AUS). Bond Corporation and a Japanese company called EIE (International) put
down this initial investment. An additional $95 million (AUS) was loaned to the institution to pay for running costs and necessary equipment for the first three years. These funds were not continued after this period and the university suffered considerably because of this. The university also suffered when its namesake, Alan Bond, was sent to prison for fraud after declaring bankruptcy. Recently, the University of Queensland (a public Australian university) bailed out Bond University by taking it over and running it as a private satellite campus.

Bond University describes itself as a small private university of roughly 3000 students (0.4% of the Australian university population) that has five main schools: Business, Humanities and Social Sciences, Information Technology, Law, and the Institute of Health Sciences. The academic year is broken up into three semesters a year with the majority of the programs running six semesters (two years) or eight semesters (two years and eight months). It attracts students from all over the world with 44% of students coming from overseas. It also prides itself on its state-of-the-art facilities and a low ten to one staff/student ratio.

Proposed Private Higher Education Institutions: British Columbia and Ontario

Over the past ten years, Canadians have been witnesses to an increased interest in the establishment of private universities as alternatives to the established public universities that have dominated for the last thirty-five years. The two most prominent initiatives have come from British Columbia and Ontario. As was the case in Great Britain and Australia, each of these proposals carry with them the necessary high profile characters to make it possible. In the case of the British Columbia proposal David Strangway, former
Two: Peripheral, Private Sector Institutions

president of the University of British Columbia, is the head of the project. The former
Minister of Colleges and Universities in Ontario, Bette Stephenson, plays a prominent
role in the other project. By examining their proposals and evaluating what relative
success each one has had in having their ideas accepted, it will become clear what the
future might hold for private institutions of higher education in Canada. If anything, it
will be readily apparent what stumbling blocks still remain before their establishment.

The David Strangway University Proposal (Squamish, British Columbia)

David Strangway has come the closest to establishing a private, not-for-profit university
in Canada. His proposal is to create a university in Squamish, British Columbia that will
open its doors in the next couple of years. Contrary to other attempts to create private
institutions in the province or in the rest of Canada, early indications suggest that this
project may actually go through.

The proposed university will be situated on 100 acres of land in Squamish, British
Columbia. The town council has already approved the establishment of the university,
seeing it as an economic, social, and cultural boon to the community. The mission and
structure of the university was outlined by Strangway in a paper entitled “Competing in
the Global Marketplace: The Case for A Non-Profit Private University.” In this
document, Strangway outlines an institution that will cater only to undergraduates in the
American liberal arts tradition. The university professors will undertake no research.
The institution will be no larger than 800 students and will build up to this level by
accepting 200 students each year until it reaches capacity. The year will be comprised of
semesters with each semester being broken up into intensive three-week blocks. Students
will be expected to complete eight semesters of course work coupled with one semester on a working assignment/thesis. The undergraduate degree is structured in such a way that it can be completed in two to two and a half years. Students are encouraged to take one semester away at a “sister institution.” The proposed university will have a clear international focus with roughly half of its student body being international students. Students will be expected to learn at least two additional languages other than English. The faculty will be chosen with an emphasis on their teaching ability and there will be no research done at the proposed university. Faculty will also be chosen from the nearby University of British Columbia or Simon Fraser University in less defined part-time roles. However, full-time faculty will be required to live on the campus to provide an intimate setting and contribute to the strong sense of community.¹⁴

The university established a foundation called the Howe Sound Educational Foundation that is the non-profit corporation responsible for the project. This was the foundation that actively sought out, and found, a potential donor of the 100 acres of land needed for the project. In the past year, the donated land was taken back after some confusion over the tax consequences of the donation. It is unclear whether the Howe Sound Educational Foundation is a charitable organization as opposed to a non-profit organization. If the Foundation is simply a nonprofit organization then it would be unable to issue tax-deductible receipts; this would make any land donation or donation of any kind useless for income tax purposes.¹⁵ Regardless of the land donor situation, the Howe Sounds Educational Foundation has had moderate success in its fundraising activities. It was projected that the entire project would cost about $100 million, with $60 million going to construction of the residences and $40 million for the development
of the university campus.\textsuperscript{16} The Foundation has already raised \$15 million of its \$30 to \$50 million goal for private/corporate donations.\textsuperscript{17} The rest of the \$100 million would be paid through a mortgage that would later be serviced through student tuition. In addition to this source of revenue, the university will be developing portions of its donated land for commercial and residential use. Central to the funding of this project is securing 100 acres of donated land, which is something that the Howe Sound Education Foundation has been grappling with for some time.

The Wolfe University Proposal (Queensville, Ontario)

In the late 1980s, a debate began concerning the future possibilities of allowing private institutions to operate and grant degrees in the province of Ontario. This debate was a result of a number of factors, but of the most important of these factors was the government’s sudden interest into the subject. David Andersen, a professor of Mathematics at the University of Toronto, was one of the first to suggest preparing a proposal for a private, not-for-profit institution in Ontario.\textsuperscript{18} The idea quickly gained favour with a number of people in the education community. With key figures like Bette Stephenson, the former Minister of Colleges and Universities, the mere prospect of creating this university seemed all the more probable to those involved. In creating the proposal, a loophole was attempted by trying to redeem an inactive charter from an institution in Kingston.\textsuperscript{19} However, a decisive split in ideals began to emerge from within the group, and it eventually broke up into two groups. One group had a more piecemeal proposal in mind while the other group—made up of an eclectic array of enthusiastic members—proposed a more cohesive vision that would become the more successful
proposal. This group and its proposal have endured as it remains strong with twelve core members.

The proposal called for the creation of an entirely new institution, to be called Wolfe University,20 in the town of Queensville just north of Toronto near Markham. A newly established foundation (in 1989) was given a donation of 100 acres of land in the area by a businessman named Anton Chapka.21 A concrete proposal was created outlining the structure and mission of the university. The university curriculum was to be modeled with the assumption that a diverse university experience is necessary to succeed; it would closely resemble the liberal arts tradition with an acute emphasis on engineering, computer science, and business. The first year would be a multidisciplinary year with distribution requirements in such diverse areas as environmental science, expository writing, and history. Then the next three years would contain more concentrated study, but with an emphasis on flexibility. Apart from the usual clientele of 18-24 year olds, this university would look to attract working, mature students in the area. Because of its emphasis on flexibility, this would be one target area that the university would cater to.

The university proposal is unique in the sense that the site will integrate itself into the community unlike any other institution in the country. Town/gown relations will be a defining part of this institution's mission. The idea is that the town will be able to use the facilities at the university for events and other functions. The prevalent technology sector in the area will be encouraged to forge research relationships with various departments within the university. In essence, the mission outlines a very open university town that works in a symbiotic relationship. This makes the project a very worthwhile project for the area and the province, according to its proponents.22 While this project has sat quietly
for the last ten years, the project leaders have become extremely optimistic about the prospects for the future. They saw the main stumbling block over the last several years as the lacking government policy to push this forward. Many of those on the Foundation have been working in consultation with the Ontario government in the past year. Together they have come up with the government’s discussion paper on private higher education that was released in April 2000.²³ The most optimistic estimates suggest that Wolfe University will accept its first students in five years, but a more realistic start date may be ten years off. Approval of this project is expected within the next six months.²⁴

Analysis and Comparisons

There is one word that encompasses the drive and livelihood of each of these institutions: innovation. In each of the four cases above, whether real or imagined, every one of the institutions has at least one gimmick or device that attracts students to study there. This drive toward innovation is more out of necessity than desire. Without some sort of innovative play to catch the eye of prospective students, newly formed private institutions will surely fail. There are a few innovations that were similar from institution to institution. With the exception of the Wolfe University project, the remaining three institutions had some form of fast-track degree completion. In most cases, three and four year degrees could be completed in two to two and a half years. This was the result of two effects. One, it was more economical for the universities to be open year round and this made it necessary to elongate the year. In many cases, this meant three semesters instead of the usual two offered at traditional schools. Secondly, many of the students
Table 2. Comparisons of Four Actual and Proposed Peripheral Higher Education Institutions.

<table>
<thead>
<tr>
<th></th>
<th>University of Buckingham</th>
<th>Bond University</th>
<th>Strangway Proposal</th>
<th>Stephenson Proposal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year Opened</td>
<td>1976</td>
<td>1989</td>
<td>Estimated 2003</td>
<td>N/A</td>
</tr>
<tr>
<td>Total Enrolment</td>
<td>600</td>
<td>3,000</td>
<td>No more than 800</td>
<td>1300</td>
</tr>
<tr>
<td>Accreditation</td>
<td>Royal Charter (1983)</td>
<td>Bond University Act (1988)</td>
<td>To be determined after opening</td>
<td>To be determined after opening</td>
</tr>
<tr>
<td>Total for degree</td>
<td>$44,000</td>
<td>$46,000-60,000</td>
<td>$40,000-60,000</td>
<td>N/A</td>
</tr>
<tr>
<td>Gov't Funding:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Research</td>
<td>YES</td>
<td>YES</td>
<td>Not Applicable</td>
<td>YES</td>
</tr>
<tr>
<td>Student Loans</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>Length of Degree</td>
<td>2 years</td>
<td>2 years to 2 years+8 months</td>
<td>2 years to 2 ½ years</td>
<td>4 years</td>
</tr>
<tr>
<td>International students</td>
<td>Over 75%</td>
<td>44%</td>
<td>Up to 50%</td>
<td>No active recruitment</td>
</tr>
</tbody>
</table>

Sources: University of Buckingham and Bond University information adapted from their respective homepages. Strangway proposal information adapted from prospectus and related materials. Stephenson proposal information adapted from personal interview.

who were playing the higher tuition were concerned about foregone earnings (the money that they could be making in the workforce while they were attending school). In this case, being able to complete a three-year degree in two years, as is the case at University of Buckingham, can be a very attractive option. Another important quality emphasized at many of the schools is the extremely favourable staff/student ratio. In all cases the ratio is never higher than ten to one.25

One of the problems that the schools in Canada must contend with is the authority to grant degrees. The University of Buckingham case serves as a good example of what could happen to future private institutions in Canada. The University of Buckingham
needed to prove itself before it would be given the royal charter that allows universities to
grant its own degrees. After the university opened its doors in 1976, it took seven years
before University of Buckingham was granted a royal charter. While the university did
come up with some innovative ways of skirting the issue, the barriers to degree granting
authority status is something that each newly formed private institution in Canada must
overcome. Universities in this kind of situation find it all the more difficult because they
must maintain high standards while having to take in virtually anyone who applies. This
is due to the certain lack of student enthusiasm associated with graduating from an
institution without a degree. This is one of the most important issues surrounding new
private institutions. It is certain that newly formed schools will never be great right from
inception. As is especially evident with peripheral private institutions, they must operate
until they find their niche in the existing system. The finding of a niche helps to secure
an institution’s reputation against its detractors by excelling in that one area without
direct competition from the public sector.26 A strong reputation in one key area helps
elevate the status of the entire institution. In Sweden, the Stockholm School of
Economics is an example where the institution concentrated on one specific program,
earning greater prestige for the entire institution.27

When a private institution opens in a predominantly public system of higher
education, it is absolutely necessary for the institution to find its niche if it is to survive at
all. The reason is the simplest form of economics. Students will not pay for an education
that can be had for cheaper at another institution. In the case of the higher education
systems like Great Britain, Australia and Canada, it is all the more clear that students will
not pay more because of the already high quality of education in the public sector (at
cheap prices). Max Beloff, the first principal of University of Buckingham, states how the idea of a private university does not go far enough:

Nothing in the original ideas of the founders was further from the truth than the notion that independence in itself would be so appealing an idea that good British students would flock to the banner once unfurled. As good market economists (as many of them were), the founders should have known how hard it is to sell something that one can get elsewhere for free or, at any rate, for much less.²⁸

This was clearly the main predicament that every peripheral private university found itself in. In successful public sectors, how was one going to sell an education that would be, in many cases, several times more expensive? The answer is evident from the past experiences of the established institutions in this chapter and in the forethought of the Canadian proposals. It is innovation and niche programming.

The Enigma in Ontario’s Higher Education Degree-Granting System: Redeemer University College

Redeemer College was established in 1982 as a small Christian denominational school in Hamilton, Ontario. It is committed to a liberal arts undergraduate education in a nurturing setting with no graduate programs at all. There were only 452 full time students enrolled in 1997/98. Undergraduate fees for a year at this institution were $8,600. Until recently, this tuition paid for a course of study that would lead to the awarding of a religious Bachelors degree. Redeemer College had been petitioning since the mid-1980s for the authority to grant Bachelor degrees. Up until 1998, it was one of fourteen denominational colleges given permission to act as “privately funded institutions with statutory restricted degree granting authority.” A translation of this statement from the Degree Granting Act is that Redeemer College (and the thirteen other denominational
Two: Peripheral, Private Sector Institutions

colleges) was able to grant only religious degrees. In 1998 with the passage of Bill Pr17, the Ontario government granted full degree status to Redeemer College.²⁹ With the passage of the private member’s bill, Redeemer College could grant Bachelor of Arts and Bachelor of Science degrees for tuition costs of over $8,000 per year.³⁰ Recently, Redeemer College was renamed Redeemer University College with legislation passed on June 22, 2000. President Justin Cooper commented on the significance of the name change: "By including the word "university" in our name we hope to eliminate any ambiguity that might still exist in the mind of the general public about the level of education we offer."³¹ While the name change may have eliminated any ambiguity for the prospective student applying to Redeemer University College, it did not clarify the government’s position on the issue of allowing new private degree granting institutions into the province. The reason why this one institution should be given degree-granting authority in the province remains unclear.³² The focus on the next chapter is to take all of these components—from the Stephenson proposal to the recent degree-granting status of Redeemer University College—to come up with a cohesive vision of what will happen to higher education in Ontario over the next ten years.

Notes

3 Ibid.
4 Geiger, 148.
5 Ibid.
6 Beloff, 397.
7 Ibid., 398.
8 Geiger, 150.
9 Ibid., 151.
Two: Peripheral Private Sector Institutions

10 Bond University Homepage
12 Bond University Homepage
13 West, "Education with and without the state."
15 Stanley Tromp, "Land Issues for Squamish U," <www.ubyssey.bc.ca/landissuesforsqua.html>
16 Strangway, "Competing in the Global Marketplace."
17 Tromp, "Land Issues for Squamish U."
18 Bette Stephenson, telephone interview with author, 22 August 2000.
19 Ibid.
20 The name "Wolfe University" is steeped in historical significance that was regarded as an admirable quality to the Foundation.
21 Stephenson interview.
22 Ibid.
23 Ibid.
24 According to Dr. Stephenson, the Ontario government will most likely outline a cohesive strategy concerning private universities in September or October 2000. Acceptance of the Wolfe University proposal will come shortly after that. Because of the constant dialogue between the project team and the government, these dates are probably not too far off.
25 In the case of the Canadian proposals, it is never projected to be higher than this.
26 Geiger, 155&158.
27 Ibid., 141
28 Beloff, 400.
29 Ontario Legislative Library, Private Universities in Ontario.
30 Redeemer University College Homepage
31 Redeemer University College Homepage
32 Bette Stephenson interview
Chapter Three

Future Directions of Private Higher Education in Ontario & Conclusions

The higher education system that exists in Ontario today is little changed from the reorganization that took place in the late 1960s. While exceptions like Redeemer University College do exist, students in Ontario continues to rely on the 17 publicly funded universities along with the colleges of applied arts and technology (CAATs) to deliver the majority of postsecondary programs. Postsecondary institutions outside the public university and college sectors do exist, though they play a limited role and have yet to be granted the authority to grant degrees in Ontario. Another important characteristic of the Ontario system that has been at work since the 1980s is a lack of adequate government support to keep publicly funded universities operating effectively. In 1979, the Ontario Council on University Affairs first identified what it saw as a disturbing trend of declining public funding in the university sector.¹ The state of Ontario university funding today is a clear indication that the OCUA report, and the many reports that have followed in the last twenty years, have been correct in their prediction of a near crippling funding crisis.

The recent reports and actions from the Ontario government suggest that one of the first major shifts in higher education policy since the 1960s may be coming soon. In 1995, the Ontario Progressive Conservative came to power with its “Common Sense
Revolution.” It was a plan to drastically reduce government expenditures in a number of key areas. In higher education, this has meant a 15% decrease in operating grants to the higher education sector with increased tuition fees of 10% (to a possible 20% in the university sector).² The government has also allowed Ontario universities to set their own international tuition fees. In addition, the government has modified the structure of the university sector. The Ontario Council of University Affairs, an intermediary body in the university sector, was dissolved without a replacement.³ Performance indicators and accountability have become the new buzzwords of the 1990s; they are supposed to cause public universities to become more efficient and do more with less money. Many argue that the current situation goes beyond what is legitimately feasible, and that more funds are needed to maintain a high level of quality in the university and college sectors.

The Ontario higher education system boasts one of the highest participation rates in the world. It is also a very expensive system to run with high quality programs and increasing enrolments. However, the worldwide trend of governments becoming more concerned about the costs of publicly funded programs—even those deemed “public goods”—has taken hold in Ontario over the last ten years. Ontario lacks a specific plan for how higher education will be changed or maintained in the future, though the provincial government appears poised to institute some changes. This chapter will examine how the higher education sector in Ontario may change in the future, and the role that privatization could have in the process.
Future Directions of Postsecondary Education in Ontario Public Sector

An article appeared in the Globe and Mail in January 1989 that outlined a number of possible solutions to the growing problem of rising enrolments and falling resources in Ontario's university sector. George E. Connell, the president of the University of Toronto at the time, outlined four possible options that the Ontario government could follow to get the university system back on track. The government’s four options:

1. Do nothing.
2. Commit to a 10-year program of planned growth and restoration of the universities, providing the capital and operating budgets required.
3. Abandon or redefine accessibility and direct resources based on need or importance.
4. Encourage further differentiation among universities to achieve higher quality and reasonable accessibility. Possible methods could include privatization of public institutions and the singling out of particular institutions for research.

Connell argued the first choice would be devastating. He believed the government would never approve the second and third choices. Option four remained, which Connell explored through the rest of the article. One of the most exciting options offered is to allow some universities in the province to become independent of public financing.

Connell reasoned that there might be several universities that would consider becoming independent. He specifically mentioned Queen’s University and the University of Western Ontario as the best two candidates for privatization. Others have agreed that Queen’s and Western would be good choices because of their success at fundraising from wealthy benefactors. Some university presidents have openly contemplated privatizing their institutions. In particular, the University of Toronto and McGill University have entertained the option, though these comments could be attributed as ploys to emphasize the funding shortages facing these institutions.
In the ten years since, none of Connell's four theories has been realized. The government's deregulation of tuition and restructuring of the university sector is the only real action taken in the period since Connell's article was written. Some have argued that this process of deregulation resulting in greater institutional differentiation that shifts the focus of authority from the sector to a more institutional outlook. There is some evidence of increased competition as universities in Ontario now have a greater emphasis on recruiting than was evident before deregulation, though only the beginnings of a differentiated university sector have been realized. In the next ten years, it is probable that some institutions may lobby to have their tuition fees completely deregulated, thus cutting themselves off from any further operating grants from the government. Douglas Auld, a public-finance economist, wrote a monograph on the advantages of privatizing a few of the public universities in Canada. In this monograph, Auld argues that the government would have to be willing to deregulate tuition fees with a well-structured plan to maintain access. He contends that other sources of revenue from the government in the form of research grants and student aid would still be available to private institutions. The privatization process Auld outlines would take several years. Connell argued in 1989 that the universities most likely to privatize (with government approval) would need to meet certain criteria. First of all, universities that would want to privatize would need to have a large base of generous benefactors able to maintain an endowment large enough to produce the necessary income from that source. As was evident from the comparison of Harvard University and the University of Toronto, this is an important source of revenue for some private universities. In addition, the university should not draw from its regional center. For instance, the University of Toronto has an
undergraduate population of over 40,000 students; the majority of these students come from the city of Toronto. Converting the University of Toronto into a private university would cause serious problems with regard to access.

With less of a burden to fund 17 universities with operating grants, the Ontario government could direct the new money to fund starved programs and new initiatives in a smaller, more manageable public sector. The privatization of Queen’s University (by gradually cutting out its government grants) would allow the provincial government to allocate $92.8 million in other areas. By privatizing the University of Western Ontario, $135 million in annual government operating grants would be made available. As the public sector stands today, it is of high quality but too expensive to warrant expansion by the government. Privatization of a few institutions that meet the criteria would help alleviate that burden and infuse the established public institutions with much needed additional grant funding.

Private, For-Profit Sector

There exists in Ontario a private, for-profit higher education sector that has no degree granting authority. These types of institutions are generally geared toward vocational training. The DeVry Institute of Technology and the University of Phoenix are examples of these types of institutions. Recently the University of Phoenix—one of the most well established for-profit institutions in the world—joined about ten other similar institutions in British Columbia (a province with the most extensive for-profit sector in the country). The University of Phoenix focuses on adult education, stipulating that all students must be at least 23 years old with two years work experience. In this sense it is filling a niche
that the established universities in the area have avoided.\textsuperscript{11} It offers Bachelor and Masters degrees at the Vancouver campus. The company is traded on the New York Stock Exchange. Within the past year, the University of Phoenix submitted a formal proposal to the Ontario government. While it is unclear whether the proposal will be accepted, officials at the university are more optimistic than previous years.\textsuperscript{12}

While for-profit institutions may soon be accepted into the province, it is unlikely that they will be allowed to grant degrees in Ontario for some time. The last major system-wide report, the Advisory Panel on Postsecondary Education (1996), made it clear that for-profit institutions should not be permitted to grant their own degrees:

> We recommend that Ontario’s policy precluding the establishment of new, privately-financed universities be amended to permit, under strict conditions, the establishment of \textit{privately-financed, not-for-profit} universities with the authority to grant degrees with a secular name.\textsuperscript{13} [Emphasis added]

This statement by the panel made it clear that, while the establishment of a not-for-profit private institution had merit, the for-profit institution did not.

John Sperling and Robert W. Tucker argue for a strong for-profit higher education sector in the United States with their book \textit{For-Profit Higher Education: Developing a World-Class Workforce}. In their work, Sperling and Tucker contend that a for-profit sector is much less of a burden on the taxpayer. Table 3 illustrates the similarities of the public and not-for-profit sectors in relation to government funding. While the Ontario government has made it clear that it will not subsidize any private institutions with direct operating grants,\textsuperscript{14} the expenditure per student in the United States (without the direct grant) is less significant at $3,804. The majority of this taxpayer cost comes under "federal, state and local tax exemptions." The tax exemptions include untaxed
endowment revenues, costs of subsidizing and underwriting the cost of student loans, and forgone taxpayer revenue in the form of property tax and purchases/sales.  

The proprietary sector would only be useful to fill specific niche markets in the form of job training or targeted student groups. The adult-centered approach to learning is one that is developing in the public higher education sector in Ontario, but a proprietary sector would nicely complement those programs currently in place. Certain information technology programs and vocational training already do exist in Canada, yet they have no degree granting authority. Public attitudes toward profit making higher education institutions have not gained favour in Canada and no shift in this view is predicted for the future. The data show that the likelihood of proprietary institutions receiving degrees in the future remains slim.

**Table 3. Per-Student Costs to Taxpayers by Type of Institution in the United States, in U.S. Dollars (1992)**

<table>
<thead>
<tr>
<th>FTE Enrollment</th>
<th>Public</th>
<th>Private Non-</th>
<th>For-Profit Adult Centered</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3,227,993</td>
<td>947,453</td>
<td>21,277</td>
</tr>
</tbody>
</table>

**Taxpayer Costs**

| Direct Government Support | $6,283 | $4,395 | — |
| Tuition Tax Credit Taken by Employers | $91 | $513 | $271 |
| Student Loans: Market Subsidy and Default Costs | $128 | $279 | $335 |
| Tax Credit on Endowment | $34 | $499 | — |
| Federal, State, and Local Tax Exemptions | $1,558 | $2,513 | — |

**Gross Taxpayer Costs**

<table>
<thead>
<tr>
<th>Public</th>
<th>Private Non-Profit</th>
<th>For-Profit Adult Centered</th>
</tr>
</thead>
<tbody>
<tr>
<td>$8,634</td>
<td>$8,199</td>
<td>$606</td>
</tr>
</tbody>
</table>

**Taxpayer Credits**

| Federal, State and Local Taxes Paid | — | — | $707 |

**Net Cost (Credit) to Taxpayer**

| Net Cost to Taxpayer | $8,634 | $8,199 | ($101) |

*Source: Adapted from John Sperling and Robert W. Tucker, *For-Profit Higher Education* (New Brunswick, NJ: Transaction Publishers, 1997).*
Private, Not-for-profit Sector

The Advisory Panel of 1996 made it clear that there was no future in allowing private, for-profit institutions to grant degrees in the province. The latest document from the Ontario government, the consultation paper called *Increasing Degree Opportunities for Ontarians*, uses more ambiguous language describing the type of private institutions that may be accepted in the future. While it is unclear whether for-profit institutions will be allowed to grant degrees in the province within the next ten years, it is almost certain that at least one private, not-for-profit institution will be open by this time. This study has focused on the not-for-profit sector because it was deemed more likely to become established in the province over the proprietary institutions. Jurisdictions like the United Kingdom and Australia with similar public higher education systems were found to have established private, not-for-profit institutions in a peripheral role. Ontario will likely follow suit.

But what will the institution look like? A report by *Pricewaterhouse Coopers* was completed in March 1999 that looked at student demand in Ontario for university education until 2011. Commissioned by the Council of Ontario Universities, the report predicts that the level of full-time university enrolment in Ontario will increase from 229,000 in the 1998/99 year to over 300,000 by 2010/11. This represents an increase in student growth of 23%. This increase is due in part to an increase of 190,000 people in the 18-24 demographic as well as a 2% increase in participation rates. While the report does clearly illustrate that the traditional university student demographic will rise significantly over the next ten years, it failed to examine the adult-learning population.
This has become an important niche market for many private universities in the United States,\textsuperscript{19} and has also been a group targeted in the Ontario proposal.\textsuperscript{20}

In Ontario no university exists which offers only undergraduate degrees. The institution that comes closest to an undergraduate institution is Trent University. It receives a special grant from the government to keep its mission emphasis on the undergraduate. Failures in other countries when establishing private institutions were due to a complete misunderstanding of what type of institution was needed. In Canada, the establishment of a private, not for profit institution with professional schools and major graduate programs would fail because these programs already exist. They exist in public institutions like the University of Toronto’s medical program and the MBA program at Western. Private professional and graduate programs work only when the time spent getting the degree counteracts the foregone earnings, as is the case with the executive MBA programs at the University of Toronto and Queen’s University. As Max Beloff stated in describing the rise of the University of Buckingham, it is hard to sell something that can be had elsewhere for much less. New private institutions that offered programs already available in the public system would quickly shut down.

The University of Buckingham and Bond University examples provide some perspective on what is needed for a new private, not-for-profit institution. For one, new private institutions in Canada should offer a degree comparable to the public system that can be completed in less time. This will offset the higher costs and limit foregone earnings, thus justifying the higher cost. Secondly, new private initiatives must identify groups not previously tapped by the public sector. The Wolfe University proposal does this with its emphasis on mature students who have previous work experience but have
yet to earn a degree. Third, this new not-for-profit sector must lobby the government for more favourable charitable giving income tax deductions similar to those in the United States. As was evident from examining Harvard University’s operating income, this can be a major source of revenue. Raising the necessary capital for constructing a new university campus—including the necessary land—can also be challenging, as was clear from the Strangway proposal. An even greater challenge, which may not be immediately evident, is a proposal that does not clearly look at the whole system to see how the proposed university might fit in. The University of Buckingham proposal started out with great fanfare without anyone really understanding what form the university should take. Bond University was said to be the “Harvard of Australia” without a clear plan. A thorough environmental scan must be undertaken before any private not-for-profit institution is established. A pragmatic approach must be followed with an understanding that it may take some time for the institution to establish a name for itself.

Conclusions

Ontario has been steadfast in holding out against the pressure of accepting private higher education. The province has rebuffed a worldwide trend of declining state sectors. Many believe that this has been a positive step towards ensuring that a university education in Ontario remains a public good. Others view Ontario’s highly regulated postsecondary system as a forced, manipulated mistake. If the Ontario government could afford a high quality public system, then there would be no need to debate the merits of private higher education. More than ten years of funding shortages have shown that the Ontario government cannot afford the university sector as it exists today. The system
currently in place provides an elite education for the mass population, and it is not economically feasible to stay on this course. With current worldwide trends of increasing enrolments and government fiscal responsibility, new solutions need to be sought out. One solution that has been presented here is a private higher education sector for Ontario.

For over twenty years, the Ontario government has been warned that funding levels were not sufficient to sustain a level of growth that was projected. The university sector has suffered from an apparent lack of action on this point from the government. The only response has been to deregulate tuition fees to make up for whatever is lacking in government operating grants. While this has alleviated some of the pressure from the provincial government, the measure does not go far enough. The government simply cannot afford to fund the seventeen universities that grant degrees in Ontario. It should allow private universities into the province and privatize at least two public universities that do not service their particular surrounding area. The higher education dollar in Ontario is stretched too thin to accommodate all of the institutions and more innovative solutions than asking for more money are necessary.

Unfortunately, private higher education is not a foolproof solution. One problem that will always remain is the negativity surrounding any kind of two-tiered system that is recognized as a public good. Ontario's system grew out of private colleges, but the expansion of the 1960s that brought many of these private colleges under public control has erased these previous institutions from memory. Furthermore, the not-for-profit institutions in Britain and Australia represented less than 1% of the entire university enrolment in their respective countries. Any claims that a private university sector would alleviate the pressures of predicted increased enrolment levels and funding shortages may
need to be reevaluated. While the provincial government could use private institutions as an instrument of public policy, it would have to be on a far greater scale than the peripheral private sectors in the Britain and Australia. The two Canadian proposals currently underway suggest that any new institutions will be limited in size. Understanding this, a case could be made for the granting of associate degrees to proprietary institutions. The granting of associate degrees has also been suggested for the college sector in the provincial government’s Consultation Paper on increasing degree opportunities. Such a move would be in sharp contrast to the established public university degree granting status of the past. The university sector in Ontario has strongly argued against the college sector being permitted to grant associate degrees. There would be stronger opposition to a for-profit sector being given degree-granting status with an associate degree.

The argument against the granting of associate degrees for colleges or proprietary institutions—and the granting of full degrees for private not-for-profit institutions—is unique to those jurisdictions with predominantly public systems. In the United States, institutions are accredited and given degree-granting status, but the degree itself is judged on the merit of the institution from where it came from. There does not exist the pronounced concern that surrounds any mention of another institution being given degree-granting authority. This adverse reaction to competition is one of the main stumbling blocks associated with private higher education. Public institutions will undoubtedly argue against the introduction of private education, citing any excuse to avoid any future prospect of competition.
So what are the benefits of allowing a private, not-for-profit sector to operate in Ontario? The introduction of private institutions into the higher education system could lessen the financial burden now saddled with the Ontario government. While this would be true with an extensive private sector, the experiences in Australia and the United Kingdom illustrate that new private institutions do not play a large role in the larger university system. If the government was to make this a matter of public policy, it may have a greater impact. For instance, the government could privatize a few of the public universities in the province while encouraging a few new, innovative not-for-profit institutions to become established in the province. This could have a noticeable impact on the funding for the other public institutions. Alongside with the financial benefits, there is the advantage of differentiation that new private, not-for-profit institutions would bring to a predominantly public higher education sector. Specifically, new not-for-profit institutions would position themselves to take advantage of previously ignored or under-serviced niche markets. These new institutions would be drawn to specific niches out of necessity; maintaining programs that are already offered for much less in the public sector would make no economic sense. Ideally, programs that were ignored or underrepresented by the public sector would be picked up by the private sector. In addition, it is probable that private institutions would offer the most popular programs in the public sector because of the high demand. If this was the case, private institutions would most likely offer a less selective program than the public counterpart, thus affecting quality. Some have argued that the proliferation of a private higher education would not lead institutions to differentiate based on type of program. Rather, some suggest that any visible would be in terms of quality as private institutions vie for those
markets with the most demand. Daniel Levy, a professor of higher education from the University of Albany, argues that the private higher education literature suffers from an underappreciation of “isomorphism,” the process of convergence that yields similarities among organizations. Continue...

From the April 2000 Consultation Paper on Increasing Degree Opportunities for Ontarians, one can deduce that future private higher education will tend to enjoy greater leeway than the public sector, but not without some loss of autonomy in the form of accountability and quality control. The Ontario government proposed the creation of a “quality assessment board” to monitor the quality of the programs being offered at any new private institutions. This board would also guard against institutions shutting down and stealing student tuition money. The board will clearly put limitations on a private institutions autonomy in its quest to shield the consumer.

Most positive arguments for private higher education have logical counter arguments because the educational marketplace is so complex. One positive argument that has no counter argument is that it taps a previously untapped or underutilized resource: private funds. While Canada’s tax laws do not encourage charitable donations to the same extent as they are encouraged in the United States, there is still little reason to ignore this funding sector. Ontario’s public sector has started to increase their endowments to a degree, but nowhere near the levels enjoyed at many American private universities.

The public/private dilemma that Ontario has been faced with is an artifact of the larger problem facing the province: a lack of planning. Ontario is in dire need of a strategic plan that will rebuild the university sector in a specified direction. The Ontario
government, in the last twenty years, has taken a more reactive role to the various problems that have plagued Ontario’s universities. While numerous reports have been commissioned, the government rarely acts on any of their recommendations. The lack of control over the future direction of higher education in Ontario has left the various sectors to drift aimlessly. The Ontario government must force the issue and come up with a viable plan for a strong higher education system that will undoubtedly include the development of a private higher education sector.

Notes

3 Ibid.
5 Ibid.
6 Ibid. and Charles Pascal, conversation with author, October 26, 2000.
9 Queen’s University, University Financial Statement (Kingston, April 1999) <www.queensu.ca/vpoD>
10 University of Western Ontario, Operating and Capital Budgets (London, May 1999) <www.uwo.ca/westeni>Budget99>
11 David Strangway, as quoted in “Phoenix rising in BC,” University Affairs (October 1998).
12 Joan Walters, “Private, for-profit university would be first to offer degree program,” National Post (18 November 1999).
14 Ontario, Ministry of Training, Colleges and Universities, Consultation Paper: Increasing Degree Opportunities for Ontarians (Toronto, 2000).
15 Sperling, 39.
16 Bette Stephenson, telephone interview with author, 22 August 2000.
17 Pricewaterhouse Coopers, “Will There be room for me?” Report on Capacity and Related Issues in Ontario’s Universities in the Face of Record Student Demand for University Education over the Next Decade (Toronto: COU, 1999), 12
18 Ibid.
19 Sperling and Tucker, in their study of higher education populations in the United States, found that there were 3.9 million undergraduate students aged 17 to 24. This number of traditional undergraduate students was less than the 5.3 million untraditional undergraduate students aged 25 and above who are usually in the labour force looking for their first degree. No similar study has been completed in Canada.
20 Stephenson interview.
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22 Ontario, Ministry of Training, Colleges and Universities, *Consultation Paper: Increasing Degree Opportunities for Ontarians*.
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