

## NAVITAS

# A UCU BRIEFING

### Who are Navitas?

Navitas were previously known as IBT (Institute of Business Technology). They are an Australian education business.

Their portfolio of business activities includes:

- ▶ university international foundation, undergraduate diplomas and pre-Masters courses as pathways into 'partner' university courses for international students
- ▶ English language training
- ▶ delivering vocational training
- ▶ 'vertically integrating', (acquiring) student recruitment agents in source countries.

### Company operations

They describe themselves as 'the largest Australian provider of English Language training'. This is delivered through a subsidiary company, ACL.

They also describe themselves as an Australian market leader in pathways programs and they have long-term agreements for partnerships with nine Australian universities, including Macquarie University, Deakin University, Griffith University, Curtin University, Edith Cowan University, University of South Australia, Flinders University and University of Adelaide.

Navitas has agreements with three Canadian universities, McMaster, Simon Fraser and Manitoba.

Navitas also has 'partnerships' in Lusaka, Zambia and Nairobi, Kenya.

### British operations

- ▶ Since 2000, Navitas has had an IBT centre at Hertfordshire university.
- ▶ In 2003, it opened a similar one at Brunel university.
- ▶ In 2007, Navitas opened two more IBT centres at Anglia Ruskin and Swansea universities.

### Big business

As is clear from the scale of these operations, Navitas is now a big education business.

In December 2004, it listed on the Australian Stock Exchange and currently claims a market capitalisation of \$691 million (roughly £350 million).

In 2007, it claimed an after tax profit of \$16.5 million and a return on capital employed of 30.7%.

### Corporate strategy

Navitas's corporate strategy identifies the major conditions for their success as being the 'lack of tertiary infrastructure in source companies', where students are recruited from and the 'real reduction of government funding (increasing reliance of universities on full-fee paying international students)'.<sup>1</sup>

It also identifies the market in provision for international students as 'highly fragmented' with 'many vertical and horizontal opportunities for expansion'. In other words, there are plenty of opportunities to open new operations or buy up existing ones in student recruitment and room to expand operations in teaching overseas students or buy up competitors.<sup>1</sup>

<sup>1</sup> Navitas Interim Results Presentation – December 2007  
[http://www.navitasworld.com/corporate/cor\\_financial.php](http://www.navitasworld.com/corporate/cor_financial.php)

# Challenging **the Market** in Education

It aims to achieve this in 3 ways:<sup>2</sup>

## 1 Expansion of existing operations

Navitas says that it wants to increase student numbers at its existing operations by 'maintaining and leveraging out relationships with partner universities and agents', by broadening the programs its IBT ventures offer, by marketing courses better, improving quality(!) and by improving marketing techniques.

## 2 Targeted strategic acquisitions

In 2005, Navitas bought a vocational training company called CSMK Ltd. It hopes to expand the company's provision into higher level vocational training which can connect it up with the international student market.

The company has also bought a major Chinese student recruitment company called EduGlobal, giving it greater control over student recruitment.

## 3. Evolution of its business model to include the delivery of degree programs in its partnerships with universities.

Navitas university partnerships typically involve the delivery of foundation and diploma courses to get international students up to undergraduate standard and onto the second year of undergraduate courses. As they are established, IBT looks to widen the range of courses they provide at these levels. In addition, they are expanding into the delivery of pre-Masters courses.

Navitas's profile makes it a bigger global player than INTO, for example. Its portfolio of education business investments and operations stands in contrast to a company like INTO. It is also more firmly centred on profiting from the education side of its business than INTO, which has a property development angle.

## Summary

Navitas has clear ambitions to be one of a small group of companies dominating the international market in overseas students, whether by expansion or acquisition.

Navitas identifies the UK and Canada as of primary strategic importance for establishing new

operations, describing them as 'under-penetrated markets'.

This is the context for the current wave of discussions between Navitas and UK universities.

Once it establishes footholds, as its stated strategy and its existing colleges make clear, it will look to expand the scale of its operations, with new courses at each 'college' and new partnerships on the back of these.

## How do they maintain academic quality control?

All such public-private partnerships must make a profit and in order to do so, they must recruit more students and keep costs as low as possible. This places a massive strain on the maintenance of academic standards at such ventures.

In common with other such public-private partnerships, these ventures market their courses aggressively to international students.

A key part of this marketing strategy is the promise of some variant of 'guaranteed progression' to an undergraduate degree at the partner institution.

- Swansea IBT says: 'on successful completion of the ICWS programme, students are guaranteed entry to the relevant degree programmes at Swansea University.' (Swansea IBT website.)
- Hertfordshire IBT says: 'All students who pass their course will automatically progress to the chosen pathway at the University of Hertfordshire.' (Hertfordshire IBT website).
- Brunel university's London IBT says, 'our flexible entry system allows you to choose one of the three entry dates per year (September, February and June) for undergraduate studies, allowing you to fast track your studies and enter the second year at university ahead of other students who have opted for the traditional UK academic entry dates (for example if you enrol in February, you could enter the second year at Brunel University by September of the same year). (London IBT website)

<sup>2</sup> IBT Education Limited, Annual Financial Report, 30 June 2005, p 2

# Challenging **the Market** in Education

Staff at ventures of kind report to us that the aspirations to recruit more students and keep profits up mean that students arrive with a lower than usual level of ability. They are then offered a fast track to an undergraduate degree which places the staff delivering the courses under tremendous strain.

If staff want to maintain standards and ensure that students are not fed into the university at lower levels of ability they have to work harder than before.

Worse than this, they have to do so with standardised off-the-shelf materials that, it is reported, are not produced by specialists in English for Academic Purposes.

## Quality assured?

Navitas own a private education institution called the Australian College of Applied Psychology, a for-profit higher education provider. When the Australian Universities Quality Assurance Agency reviewed their practice they recommended that:

- The College should have 'educational' as well as 'business objectives' in its strategic plan.
- The College ought to have people who were not on the Navitas payroll on its governing body.
- The College ought to institute quality control mechanisms that were comparable to other higher education providers in Australia, as a 'matter of urgency'.<sup>3</sup>

## Staff terms and conditions

Staff employed by partnerships with private companies regularly report that they do not enjoy union recognition, that their terms and conditions and their pay rates are worse and that they are denied access to USS or TPS pension schemes, being enrolled instead in inferior stakeholder pension schemes.

This is creating a two-tier workforce in UK higher education.

Navitas's recent partnership with the University of Manitoba in Canada has run into problems with some staff in some departments refusing to cooperate with the international collage, seeing it as a threat to standards

and to staff terms and conditions across the university.<sup>4</sup>

UCU is committed to fighting the growth of a two-tier workforce and the threat to quality posed by all these companies and Navitas is no exception.

## A company with education at its heart?

In March 2006, IBT hit the headlines when their attempt to sign a deal at Simon Fraser University met stiff resistance from students in particular.

This was reinforced by the news that one of IBT's directors, Trevor Flugge, had stepped down from his various directorships for his alleged role in supplying kickbacks to Saddam Hussein's regime through the UN Oil-for-Food programme.

It was alleged that as chairman of the Australian Wheat Board, Trevor Flugge had secured lucrative contracts for Australian agriculture in Iraq through kickbacks via the Oil-for-Food Programme. Flugge was called before the Cole Inquiry in Australia and stepped down from his directorship of IBT at the same time. At the time the company said if there was no wrongdoing, Flugge would resume his position. He never did. ■

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<sup>3</sup> Australian Universities Quality Agency, Report of an Audit of the Australian College of Applied Psychology, February 2008

<sup>4</sup> <http://bit.ly/bRF39a>

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