What is *HE Online Ltd?*

A UCU briefing

HE Online is possibly the newest private provider in the higher education market. The company was incorporated in August 2011 as Education Online Services Ltd. The company changed its name to HE Online in December 2011.

Documents in Companies House reveal that the director and sole shareholder is Ryan Craig, resident in California. Ryan Craig is one of the founding directors of Bridgepoint Education in the USA. Bridgepoint, as we'll see, developed a model of higher education delivery that a US Senator described as 'deeply disturbing' from an educational perspective.

What is University Ventures?

HE Online is a wholly owned subsidiary of new private equity fund named University Ventures. University Ventures has been set up to partner with traditional universities with the stated aim of helping its 'university partners succeed in the shifting landscape of higher education by establishing new revenue streams while reducing the cost and improving the quality of delivery.'[1]

University Ventures has four general partners, the people who raise the private capital from investors and invest it. They stand to gain from fees on their investments growing. The leading partner of University Ventures is also Ryan Craig.[2]

Who is Ryan Craig?

Ryan Craig started out in the education investments section of the massive US private equity firm Warburg Pincus. Craig was one of a team of people at Warburg Pincus who created a new for-profit education company called Bridgepoint Education. As the University Ventures website puts it, 'while at Warburg, Ryan led the investment in and established Bridgepoint Education'. Craig remains an independent director of Bridgepoint Education.[3]

Bridgepoint Education

Warburg Pincus used Bridgepoint to buy two struggling accredited universities, Ashford University and the University of the Rockies, and used them as platforms to effect a massive expansion of online learning. In March 2012, the total enrolment at the two universities was more than 94,000 students.[4]

continued overleaf

[1]http://www.universityventuresfund.com/investment_strategy.php
[2]http://www.universityventuresfund.com/about_team.php
[3]http://www.universityventuresfund.com/about_team.php
[4]http://bridgepoint.mediaroom.com/index.php?s=63

Yet Craig's creation, Bridgepoint, has also become a by-word for some of the worst failings of the US for-profit higher education sector.

US for-profit companies

Successive studies by the US Senate, the Education Trust and by Harvard academics have exposed an industry that has built massive profits on accessing student loan subsidies in return for woeful performance. According to these reports:

- Students at for-proft colleges have to pay twice as much for their tuition as those at public colleges.
- Only 22% of students at a for-profit college can expect to complete their courses.
- 46% will finish with heavy private loans to make up the difference between costs and federal support, a debt burden that is twice as big on average as those incurred by students at public colleges.
- 20% will default on their loans within three years of completing and students at for-profit colleges are more likely to be unemployed at the end of their studies.[5]

This is what has led leading investor Steve Eisman to refer to these companies as 'marketing machines masquerading as universities'.

Bridgepoint – 'a deeply disturbing model'

Far from being an exception to this picture, Bridgepoint was recently used as a case study by US Senator Tom Harkin, who has led campaigning for better regulation of for-profit education.

During a series of Congressional hearings and reports, Harkin exposed Bridgepoint's record to public scrutiny.

Harkin's inquiries into Bridgepoint's performance showed that 84 percent of students on a two-year course and 63 percent of four-year students had already dropped out one year later.

As Harkin put it:

'These dismal outcomes are deeply disturbing to me – and should be deeply disturbing to American taxpayers. But, remarkably, the withdrawal of nearly two-thirds of its students in less than two years doesn't seem to trouble Bridgepoint's executives in the least. Instead, they are basking in the applause of Wall Street for growing the company's student enrollment and increasing profits from $81 million in 2009 to $216 million in 2010. In the world of for-profit higher education, spectacular business success is possible despite an equally spectacular record of student failure.'[6]

Here is Harkin again on Bridgepoint:

'Data reviewed by this Committee paints a picture of a company – and perhaps an industry – that is premised on aggressively recruiting largely low-income, disadvantaged students... collecting their federal grants and loans even as the vast majority of students drop out... and lavishly rewarding executives and shareholders with mostly taxpayer dollars. ...From a strictly business perspective, this is a highly successful model. But, I must say, from an educational perspective – and, frankly, from an ethical perspective – it is deeply disturbing model.'[7]

HE Online's Ryan Craig is one of the people who built that model.

HE Online – Bridgepoint UK?

Now Ryan Craig appears to be trying to repeat his 'success' in the European HE market, using

[5]See for example, Demming et al., *Nimble Critters of Agile Predators? and Subprime Opportunity: The Unfulfilled Promise of For-Profit Colleges and Universities*, Education Trust report, November 2010: http://www.edtrust.org/sites/edtrust.org/files/publications/files/Subprime_report_1.pdf, pp.3-6.
[6]http://harkin.senate.gov/documents/pdf/4d7e2c906a83c.pdf
[7]http://harkin.senate.gov/documents/pdf/4d7e2c906a83c.pdf

a similar model. He has formed a new private equity firm who, like Warburg Pincus, will provide capital and management experience to a company – HE Online – which will be geared toward fast growth and high dividends.

HE Online boasts other directors equally experienced in the US for-profit market. Until he left following the recent Congressional hearings, Chris Spohn was previously at Bridgepoint with Craig. Indeed he has been described as 'an original member of the management team that founded the company'.[8] Similarly, Bryan Newman formerly worked at the University of Phoenix, owned by the Apollo Group.

Now they are looking to establish market share through partnerships with universities in Europe to sell online learning to students and presumably access student loan subsidies along the way.

All the elements that built Bridgepoint are here. HE Online has been built using wealth and expertise developed at Bridgepoint, while the private equity backing will mean that from the start, HE Online will have to grow fast and show high profits.

Dangerous Liaison?

The clear risk for Aberdeen is that the university's hard won reputation will be associated forever with the rolling out in Europe of a model that has been very successful at turning public subsidies into shareholder profit and lavish CEO salaries, but which has dismally failed students, has proved bad value for the taxpayer and which has become a public and political scandal in the US.

That is why Aberdeen UCU is calling on the university to end its discussions with HE Online with immediate effect.

[8] http://blogs.barrons.com/stockstowatchtoday/2010/12/30/for-profit-college-shakeup-top-bridgepoint-executive-leaving/