



UK eUniversity annual report 2002/03 - what more does it tell us?

The UK eUniversity (UKeU), the government funded initiative to export UK virtual higher education abroad and without doubt the most ambitious national virtual university in the world, recently published its first annual report for the financial year April 2002 to March 2003. While some of the data is six months old, the document has only now been released and offers valuable insight into the venture's business model. Included are details of financing, expenditures, and some indications of future growth into international markets. What does the report reveal about the viability of UKeU as it begins to roll out its first programmes?

UKeU consists of a holding company, eLearning Holding Company Ltd, owned by all participating universities (see below) and private sector interests, and an operating company, UK eUniversities Worldwide. The holding company owns the venture, authorises the operating company to develop the business and releases funds accordingly. The UK government has committed £55 million to UKeU and of this, £20.85 million had been received at the end of the financial year through the Higher Education Funding Council for England (and a further £8 million has subsequently been released). (When UKeU was first launched in early 2000 by the then Secretary of State for Education, the government grant was given as £62 million (US\$105 million). For unexplained reasons, according to more recent press releases and the annual report, the amount is now £55 million). An additional grant of £300,000 per annum has been committed by the Higher Education Funding Council for Wales. Scottish universities are currently not involved in the project. Other funds have come from the private sector. Sun Microsystems has been central to the development of UKeU's learning environment. The company has contributed "£3.5 million of professional services and hardware" rather than cash funds. At present, Sun is the only private shareholder. Fujitsu has been contracted to run UKeU's hosting and connectivity infrastructure but has not invested in the venture as such. There is reference to UKeU continuing to seek additional private investment, and that this may affect the current status of the holding company (presently majority owned by the universities).

What is the company spending its money on? By the year end, £10 million had been spent on UKeU's bespoke platform, specially developed by Sun. Designed to be state-of-the-art and to address many of the perceived failings of other platforms, the report anticipates that a further £10 million will need to be spent to ensure the platform "remains world class". The platform has yet to attain "initial full version" status (1.0), due before the end of 2003. Up to 31 March 2003, £5.7 million was spent on gaining the rights to thirteen programmes developed by member universities; and up to July 2003 a further £3.8 million was spent acquiring rights to a further six programmes. £2.1 million covered operating and staff costs. By the end of March 2003, UKeU employed 54 people, including the company director, John Beaumont, whose salary of over £226,000 per annum (including performance related pay) makes him among the highest paid higher education institution leaders in the country. Staffing includes business managers based in Brazil, Hong Kong, Malaysia and UAE, and the company has also formed support/ marketing partnerships with a range of in-country organisations ranging from universities (Hong Kong University of Science & Technology), for-profit colleges (e.g. Sunway College in Malaysia), other virtual universities (e.g. Syrian Virtual University) and brokers (e.g. Knowledge Village in Dubai). Total marketing costs for the year were £1.9 million. Other potential markets are being explored, suggesting that the marketing budget may rise further. To emphasise the difference in cost between UKeU and the world's other national e-universities, the portal model pursued by the Canadian Virtual University (effectively a branding device for the existing online provision of a small number of Canadian universities) only cost an estimated \$420,000 CAD covering start up and full operation for one year. This works out at less than 10% of UKeU's marketing budget alone.

UKeU has adopted a "conservative accounting policy for revenue recognition". For the year in question, the company reports a loss of just under £6.5 million after taxation. However, it is important to note that this does not take into account government funding, and is rather a strict revenue/ expenditure calculation. (Expenditure on rights and the platform is recorded as assets rather than costs). UKeU had a cash balance of £5.8 million at the year end. For the year in question, UKeU turnover is recorded as £5,000, reflecting the fact that only one course had barely launched by the end date. £76,000 is recorded as deferred income and is said to refer to "revenues that relate to studies to be completed in the future". With typical international student fees approaching £10,000 for many UKeU courses, this figure might suggest very low enrolments. However, given that the first UKeU course was launched in March 2003, the figure gives no indication of recruitment income for April 2003 to date. UKeU has yet to release enrolment figures for either of the two initial courses. Twenty-one programmes from more than a dozen universities are currently advertised on the company website, with most starting in January or September 2004, and UKeU is continuing to add to its portfolio. Aside from the predictable business programmes, environmental studies, bioinformatics and war studies are on offer. The company is also developing bespoke corporate-focused provision and foundation degrees (the latter to help satisfy the public good aspect of its remit). Other prominent activity includes offering programmes through the BBC Learning and running HEFCE's e-China programme, a massive undertaking by the UK and Chinese governments to support English language teaching across China.

The latest course announcements include a third year top-up BSc in Health Sciences from the UK Healthcare Education Partnership a consortium of City University in London, University of Leicester, the Royal College of Nursing, and the University of Ulster, due to start in January 2004. UKeU recently won a bid to develop a series of online courses for the UK's Inland Revenue. This week a Malaysian company, Fusion Solutions, announced its intention to provide UKeU courses to the 57 member countries of the Organisation of the Islamic Conference (OIC). The OIC's University Network (OICUN) aims to create a virtual university offering courses with Universiti Teknologi Malaysia, The Arab Academy and UKeU by early next year.

The report mentions a significant deadline for UKeU's student recruitment. If total enrollment is below 1500 after two full years of delivery (March 2005) then a contingent liability clause will be activated allowing one of the partners, the UK Open University, to terminate their agreement and receive back 50% of their investment to a maximum of £420,000. What is curious is that this liability appears to apply solely to the Open University, and not the other universities involved in the first programmes, Cambridge and Sheffield Hallam. It is unclear whether universities that have partnered in the current financial year have negotiated similar liability clauses in the event of low enrolments. The report states that the possibility of the Open University clause being activated is "possible but not probable" and no provision for any liability has been made to date.

Aside from the lack of information on current enrolments, UKeU's development over the past eighteen months has been mainly positive- a string of programmes from UK universities, growing international marketing infrastructure, impressive platform conception and range of in-country partners. Company policy on liability clauses for individual universities relating to low enrolment might benefit from additional transparency. Particularly encouraging is the fact that a number of UK universities with established international online capacity (e.g. Derby, Glamorgan, Middlesex) have opted to utilise the UKeU model. The company is gambling that large-scale investment in a world-beating platform and infrastructure will give UKeU global competitive advantage and generate sufficient students to cover its substantial operating costs (which will only grow as more courses start up, more students enrol and more markets are targeted). The next annual report will be crucial, although even by then many UKeU courses will have only just started. And with only half of the government's £55 million spent to date, the perennial 'wait and see' attitude to UKeU may continue for some time to come.