THE UNIVERSITY OF BRITISH COLUMBIA

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AD HOC COMMITTEE REPORT

January 4, 2007

To: Vancouver Senate

From: Ad hoc Committee for the Review of U21Global

Re: Review of U21Global

Overview of the relationship between UBC and U21Global

U21Global (hereafter U21G) is a joint venture between Thomson Learning (a division of the Thomson Corporation) and 19 of the 20 universities in the international consortium known as Universitas 21LBG (hereafter U21).[1] [2] All of the universities in U21G have made equity (cash) investments in the venture.[3] UBC joined U21G in 2001 by making the minimum investment of $500,000 (all figures in US dollars). UBC made additional investments of $100,000 in 2004 and $137,150 in 2006. Further investment by UBC is pending; this issue is discussed in detail below. The agreement between U21G and UBC is quite complex. In lay terms, UBC has essentially licensed the use of the UBC crest to U21G for use in certain ways in promotional materials, and on degrees, diplomas and certificates in exchange for the potential of dividend and royalty income and the opportunity to learn about and participate in the global market for online education.

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[1] The Thomson Corporation announced on October 26, 2006 that it plans to divest itself of Thomson Learning in 2007.

[2] At present, the U21 members are: McGill University, Tecnologico De Monterrey, University of British Columbia, University of Virginia, Lund University, University College Dublin, University of Birmingham, University of Edinburgh, University of Glasgow, University of Nottingham, Fudan University, Peking University, Korea University, National University of Singapore, Shanghai Jiao Tong University, University of Hong Kong, University of Auckland, University of Melbourne, University of New South Wales, and University of Queensland. Peking University is the only member of U21 that is not also affiliated with U21G.

[3] Formally, the investments are made in U21Equity. U21Equity and Thomson Learning each own 50% of U21Global. The licensing agreement that allows U21Global to use the UBC crest is a stand-alone agreement between UBC and U21. A chart showing the ownership structure of U21Global is attached to this report.

Terms of reference for the ad hoc Committee for the Review of U21Global

At its meeting on April 18, 2001, where Senate approved of "UBC entering into the agreement to join U21 Global as outlined, with no relationship to the financial issues," a motion was passed that "the Vice President Academic and Provost make an annual report to Senate on the status of U21Global, either directly or through the appropriate Committees of Senate." At its meeting on November 20, 2002, Senate passed a motion that "the Nominating Committee be directed to strike an ad hoc committee of Senate to review and evaluate U21 Global programs during their third year of operation." At this meeting, one senator (Dr. MacEntee) expressed the hope that the Senate review process would be "broad and inclusive," noting that the initial decision to join U21 Global had been taken relatively quickly. The ad hoc Committee for the Review of U21Global has attempted to honor both the specific instructions of Senate and the spirit of the many Senate discussions that have occurred on this matter since 2001. The committee is mindful, in particular, of the specific power granted to Senate in section 37(1)(u) of the Universities Act, namely "to set the terms of affiliation with other universities, colleges or other institutions of learning, and to modify or terminate the affiliation."

In terms of process, the committee met to outline the issues that it would consider, and wrote to former Associate Vice-President International Goldberg, now Chief Academic Officer of U21G, requesting information and clarification on a number of points. Dr. Goldberg submitted written answers to the committee's queries. The chair of the committee spoke with a number of individuals across campus to discuss various aspects of UBC's involvement with U21G. The entire committee met with Associate Vice-President International Klafter. The report was drafted by the chair of the committee and circulated to the entire committee for comment and revision.

U21Global's activities and programs

U21G's mission is "to set the benchmark for online education." It develops and offers online courses and programs in business and information technology management for individuals and executives. The quality of U21G faculty, courses and programs are

assessed and assured by a separate organization, U21 Pedagogica, a subsidiary of U21.[4] U21 Pedagogica is charged with applying the standards of the U21 member universities to the educational activities of U21G.

U21G offers two master's degrees, a Master of Business Administration (MBA, launched in 2003) and a Master of Management in Information Technology (MMIT, launched in 2006). Admission to either degree program requires a Bachelor's degree, at least two years of work experience and evidence of proficiency in English. Standardized admissions tests (GMAT or GRE) are not required. To earn an MBA, a student must complete 10 required courses, 7 elective courses and a research project. To earn an MMIT, a student must complete 12 courses chosen from 8 "competency clusters." The courses that make up the degree programs are repackaged into shorter programs leading to diplomas and certificates for students who do not wish to pursue a degree or do not meet the degree entrance requirements. For example, the program leading to the "Executive Diploma of Business Administration" consists of 8 courses from the MBA program, and does not require a Bachelor's degree for admission. The program leading to the "Executive Certificate of IT Project Management and Outsourcing" consists of 4 courses from the MMIT program, and also does not require a Bachelor's degree. U21G has developed several joint programs, including a Master of Science in Tourism and Travel Management with the University of Nottingham and a Management Programme for Entrepreneurs and Family Business with the Indian Institute of Management Bangalore. U21G has also entered the market for customized executive education and corporate training, including face-to-face classes and lectures, with a geographic focus on India and China.

The issues

UBC's involvement in U21G has been discussed in at least 9 Senate meetings since 2001.[5] During these discussions, a large number of issues were raised: (1) Several

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[4] U21G lists ten full-time faculty members on its website, nine of whom have PhDs. The website also lists a large number of adjunct faculty, drawn from academic institutions and consulting firms. The website also lists recent publications by U21G full-time faculty. This list shows that U21G faculty publish mostly in regionally focused journals in business, economics and management information systems. Very few of these journals would meet UBC publication norms for these fields.

[5] There have also been a number of documents presented to Senate regarding U21G, including an open letter of concern from members of the Department of Educational Studies, dated April 23, 2001, written responses by Associate Vice President International Goldberg to questions raised by the UBC Faculty Association, dated September 18, 2002, and a report from Dr. McGillivray, date February 3, 2006.

senators expressed concerns about due process, and expressed the view that Senate's initial consideration of this matter was rushed and poorly informed. (2) Several senators expressed concern that by participating in U21G, UBC was contributing to the "commercialization" of higher education to the detriment of its core mission as a public university. (3) Several senators expressed concern about the absence of a role for students in the governance of U21G, and about the affordability of U21G programs for students in developing countries. (4) Several senators raised questions about the organizational and contractual agreements between UBC and U21G, including whether U21 members were adequately represented on the U21G board, why royalty payments were capped at 14% of gross revenues, and why the agreements transferred to U21G the copyright on any course materials that might be developed by UBC faculty. (5) Several senators asked questions about UBC's financial involvement, in particular, whether UBC could expect a financial return on its investment in U21G, and whether UBC was protected from downside risk should the venture be unsuccessful. (6) Dean Muzyka expressed concern that students would be misled or confused by the co-branding of the U21 universities in U21G promotional materials, and stated that U21G was competing with existing UBC programs for international students. (7) A number of senators asked about the procedures for withdrawing from U21G[6], and about the role of Senate in the decision to withdraw.

This brief account cannot do justice to the substance of the discussions at Senate, but it does accurately convey their tone. By and large, Senate's view of this matter has been skeptical. The committee understands this view, but has asked whether there are potential advantages to UBC that could offset the potential difficulties outlined above. In this regard, the committee believes that the following three issues are salient.

International linkages

A number of senators, including several current and former Deans, have expressed the view that U21 provides valuable opportunities for promoting international linkages between universities. For example, at the May 16, 2001 Senate meeting, Dean Isaacson noted that U21 "provides opportunities for synergies." At the same meeting, Dean

[6] To withdraw, UBC would need to sell its shares in U21 Equity and terminate its license agreement with U21. However, it might be difficult to find a buyer for UBC's shares. There is no established market for the shares and there are restrictions on a shareholder's ability to transfer shares to outsiders. The license agreement between UBC and U21 permits U21G to continue to use the UBC crest in existing programs for three years after the date of termination.

Quayle highlighted the opportunities, particularly for small faculties, in partnering with other institutions to develop courses under U21G and added that the role of the University included a degree of risk taking in order to maximize institutional learning. The committee agrees that promoting international linkages between universities is valuable, but notes that such opportunities are more likely to arise through the U21 consortium (as Dean Isaacson suggested) rather than through the commercial enterprise known as U21G. Affiliation with U21G is not a requirement for membership in U21.

Knowledge and technology transfer

One of the key motivations for UBC's involvement in U21G was the opportunity to access knowledge, experience and technology in the area of online education or e-Learning. For example, in the September 18, 2001 Senate meeting, Vice-President McBride stated "the financial features of U21Global were minor compared to the opportunity to learn what works pedagogically in e-Learning." At the same meeting, Dr. Goldberg, then UBC's contact officer for U21, stated that the member universities were to have access to any learning materials developed for U21Global for their use free of charge and that UBC could "integrate successful courseware or technologies immediately on our campus at no cost." This potential benefit was echoed a year later by Associate Vice President International Goldberg in his response to questions raised by the UBC Faculty Association: "Investing $500,000 to be an integral part of a large-scale well capitalized and conceived web-based degree effort presented an attractive way to learn about the technology while containing financial and other risks. It also holds significant upside that we are now in a position to participate in as a result of the investment in U21G." At the May 16, 2001 Senate meeting Dean Klawe stated that she was excited to see the institution participate in an experiment with the benefit of determining innovative ways to provide educational experiences, and was hopeful that UBC faculty would be able to participate sufficiently to justify the University's investment.

These potential benefits have not been realized. There appear to be two fundamental difficulties. First, to the best of our knowledge, no academic unit at UBC has had any direct involvement with U21G. There was some discussion of a joint research program between U21G and UBC's Institute for the Scholarship of Teaching and Learning in 2004, but an agreement was not concluded. To the best of our knowledge, no UBC faculty member has participated in the development or review of any course or program

materials for U21G, U21Pedagogica or its program review panels. Since there has been no involvement by UBC faculty or staff, there has been no transfer of experience or tacit knowledge about online education or e-Learning from this initiative. Second, despite Dr. Goldberg's earlier claim, there has been no transfer of courseware or technology from U21G to UBC. In Dr. Goldberg's letter to the committee, he states: "U21Global technology is generally licensed from others. ... U21Global has virtually no technology of its own; aside from the customisations we developed to make the licensed software meet our specific needs. Thus, we are not in a position to transfer our technology since it is essentially all licensed. Accordingly, U21Global has not transferred its licensed technology to U21 institutions nor can it."

Financial benefits

There may also be financial benefits arising from UBC's involvement in U21G. Financial benefits could come through several channels. There could be revenues to faculty who develop or review course materials. There could be revenues to an academic unit through a joint program. There could be dividends or royalty income paid to UBC, as stipulated in the licensing agreement.

Since, to the best of our knowledge, there has been no direct involvement by any UBC academic unit or faculty member in U21G courses or programs, the committee assumes that there has been no financial benefit to the UBC community through these channels. Since U21G has yet to earn a profit, and is presently operating at a loss of approximately $8 million per quarter, the prospect of dividend income seems remote. However, the issue of royalty income is important, since Dr. McGillivray suggested in his report to Senate that UBC could receive $281,000 in royalty income between 2006 and 2010, and that this could be used to offset the cost of further investment in the venture.

Under the agreement between UBC and U21G, royalty income is determined as follows: (1) U21G pays a percentage of its total net student revenue (essentially gross revenue) to U21 as royalty income. The percentage paid rises with the level of gross revenue, and is capped at 14% once revenue reaches $500 million per year. For annual gross revenue less than $25 million, the percentage paid is 3% (U21G total net student revenue in 2005 was $1.7 million, so 3% is currently the relevant figure). (2) U21 then divides its royalty income equally among the licensing institutions. There are presently 19 licensing institutions, so each would receive 1/19th of whatever royalty income U21 earns. To put

Dr. McGillivray's comments in context, through the first two quarters of 2006, total net student revenue for U21G was $841,000. If U21G's annual revenue for 2006 were to reach $2 million, then UBC's royalty income for 2006 would be approximately $3,158. In fact, UBC's royalty income for 2006 will be $2,256.19. Given U21G's recent financial performance, its seems extremely unlikely that U21G net student revenues will rise to the level (more than $71 million) that would generate royalty payments of $281,000 for each of the 19 licensing institutions.

Performance standards and further investment by UBC

Dr. McGillivray's report to Senate also states that a further investment of $137,150 by UBC is pending, subject to U21G meeting certain performance standards during the 2006 calendar year. It is our understanding that these performance standards were articulated by President Piper. The standards are: (1) recruit at least 1,183 new students, (2) enroll at least 5,144 students in new classes, (3) achieve revenue of not less than $2.5 million, and (4) collect more than $3.3 million in cash. Information presented at the September 14, 2006 U21 Managers' meeting, shows that through the first half of 2006, U21G has: (1) recruited 357 students, (2) enrolled 1,360 students in new classes, (3) earned $841,000 in revenue and (4) collected $913,000 in cash. Dr. Klafter, who attended the September 14, 2006 meeting, told the committee that U21G is counting participants in its customized executive education and corporate training programs toward the enrolment targets. Dr. Klafter also told the committee that even with this liberal interpretation of participants, U21G has admitted that it will not meet the 2006 performance standards.

Conclusions

Our conclusions are: (1) U21 may have important benefits in fostering international linkages between universities, but the benefits arising from the co-branding of the U21G affiliates in promotional materials, degrees, diplomas and certificates are more problematic. Affiliation with U21G is not a requirement for membership in U21. (2) One of the motivations for joining U21G was to access knowledge, experience and technology in e-Learning. These potential benefits have not been realized, since (a) there has been no direct involvement by UBC programs or faculty in U21G, and (b) U21G technology is licensed and cannot be shared. (3) There is little financial benefit flowing to UBC from its affiliation with U21G: there has been no income for faculty or

programs, the prospect of dividend income seems remote, and expected royalty income is far below the $281,000 suggested by Dr. McGillivray.

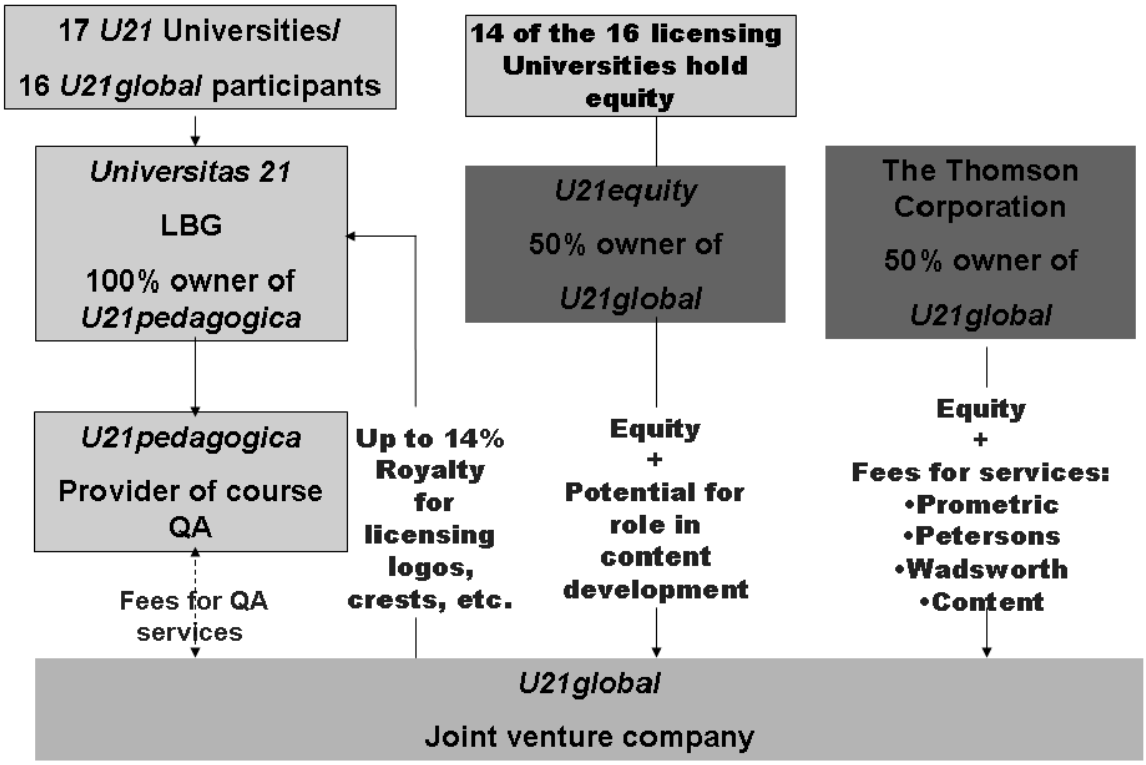
Recommendations

1. **That Senate recommend to the Board of Governors that if the 2006 performance standards specified by President Piper are not met, then UBC make no further investments in U21Global.**

2. **That Senate recommend to the Board of Governors that if the 2006 performance standards specified by President Piper are not met, then UBC withdraw from U21Global.**

3. **That the ad hoc Committee for the Review of U21Global be dissolved.**

Respectfully submitted by Committee Members:

Dr. Robert Helsley (Chair)
Dr. Perry Adebar
Ms. Wendy King
Mr. Phil Orchard
Dr. Sally Thorne
Dr. Robert Tierney

U21global Ownership Structure