

Scotiabank



**CANADIAN UNIVERSITIES:
COMPETING TO WIN?**

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Check against delivery

Thank you very much for that very kind and flattering introduction. And thank you, ladies and gentlemen, for your very warm welcome.

What I am going to talk about today is excellence, and the need for excellence in today's world. Specifically, I would like to talk about excellence in education. My main point today is this: I believe that we need to create centres of excellence within our university system to develop our best and our brightest students -- our business, political and academic leaders of tomorrow -- to ensure that we are able to compete with the best and the brightest from around the world in the years ahead.

The way I see it is that, if we feel it is fit and proper to ensure that we have the very best athletes represent us in major sports competitions like the Olympics, and in professional sports -- like the Blue Jays of a few years ago and the Raptors a few years hence -- then why does this same logic not hold true for scholastic achievement, where the need for excellence is even more important?

Let me elaborate. With today's global competition and the technological revolution - which, believe it or not, we are only at the start of -- our economic prospects depend more than ever on the quality of our resources, particularly our human skills. This is especially true in countries like Canada -- a trading nation so dependent on international markets. We must compete to win against global competition. And our traditional comparative advantages -- in trees, minerals and fish, for example -- are simply not as relevant today.

So I am coming at this issue from a business perspective. That may be a bit simplistic, but remember, I am a banker and I am heavily influenced by my experience in the school of hard knocks and my international experience. In a service industry like banking, high quality employees are an essential element of success -- success in meeting the competitive challenges here at home and in markets around the world.

I should mention that Scotiabank -- with operations in some 44 countries around the world -- has given me a very practical view of global competition and today's human resource requirements. We know what it takes to compete and win in global markets -- like the U.S. corporate market, where we are a top 10 bank, going head to head with the big U.S. and major European banks; and in markets like the Far East, where we operate in 10 different countries and where we are up against the biggest banks in the world. High quality and highly trained people make us successful in these markets.

To give you a more general illustration of the importance of human skills in today's economy, the number of university graduates with jobs in Canada has increased by more than 500,000 since 1990 while, during the same period, the number of jobs for people who have not completed university declined by about 200,000.

The development and maintenance of high performance standards in education -- for our universities -- and continuously benchmarking ourselves against the best in the world is, more than ever before, a key to our ongoing success and prosperity.

I want to acknowledge that universities in Canada are developing centres of excellence, new links with business and new, specialized programs that are taking us in this direction. There are a number of success stories -- here in Toronto, elsewhere in Ontario, and indeed, right across Canada. There are success stories that show we are, as a country, already heading in a fundamentally new direction on education.

But more has to be done to support this sort of institutional excellence and to move the process of change forward at a faster pace. We see stories in the press every day on government budget cuts, and the issue is becoming more pressing. Last month's student demonstration at Queen's Park -- notwithstanding the trouble -- served to underscore this point.

This is not to take anything away from the new programs and initiatives that are being developed and tested in different schools across the country. Nor is this to take anything away from our top-ranked universities like Queen's, the University of Toronto, Western Ontario, Waterloo, Dalhousie, McGill and the University of British Columbia, to name only a few. These are all quality institutions.

But I am unaware of any major country outside Canada that does not have two or three truly world-class institutions -- the "Grandes Ecoles" system in France, the great Ivy League schools in the U.S., Oxford and Cambridge in the U.K., the University of Tokyo in Japan, and so on. These are the types of institutions that we need.

What I am suggesting is that we develop policies and funding schemes to foster institutions that are first-class by global standards while, at the same time, supporting the fundamental realignment of our educational system that is already under way.

What is the downside? What are the risks of not having, or developing, these sorts of truly world-class institutions?

I believe there are two risks. First, we risk underdeveloping important resources -- not giving our most promising students the very best education. Second, which I would call the worst case scenario, is that we risk losing important resources altogether to other countries -- a "brain drain" of our business, political and academic leaders of tomorrow which could, ultimately, mean that we would pay a heavy price in the global marketplace.

Let me step back for a minute and look at where our universities are today -- the good and the bad in our current system.

On the positive side, public expenditure on education in Canada is among the highest in the world. In terms of the percentage of young adults enrolled in higher education, we rank highest in the world. We also have a very high proportion of university-educated adults by international standards.

On the other hand, Canada scores second lowest among G-7 countries in terms of well-educated people staying employed in their own country, according to the 1995 World Competitiveness Report. This is the so-called "brain drain" -- the worst case scenario that I just mentioned.

In addition, although our university system offers a complete range of programs, it has not developed the necessary depth in certain key areas that are becoming increasingly important. We have, for example, fewer science and engineering graduates than most developed countries. These are human skills that we need to develop in order to improve our research and development capabilities.

Now, much of the good in our current system -- as well as some of the negatives -- stems from the evolution of our university system. Since the early 1900s, and especially since the 1960s, government has emphasized a high level of equal access to post-secondary education. And as a matter of public policy, one that parallels other strong social programs that help to set Canada apart, and above, other major countries in the world, I have no problem with access being a priority for our educational system. But it cannot be the only priority.

A second and equal priority must be quality, or institutional excellence. At a public policy level, however, I believe that this priority -- to develop schools and programs to nurture our most promising students, and develop institutional excellence within our university system -- has not received the attention and support it must.

Access and institutional excellence are not trade-offs; the equation is not as simple as that. In fact, the real challenge going forward is to develop the sort of excellence that I am suggesting while maintaining a satisfactory level of accessibility.

On that note, I would like to offer a few thoughts on next steps -- a few thoughts on possible reforms to our educational system. Naturally, I am talking about the long term. While universities, like business, are becoming much more responsive to change, the issues are huge and there are no quick fixes.

I would like to touch on two issues. First, I would like to take a look at funding policies, because money for education is a major issue. And second, the role of business, which in part is related to the funding question, but is really much broader than that.

So let us look at funding. Very simply, going forward, there will not be as much money to run our educational system. Government support is going to be cut back. So the question is, how do we identify and back winning programs and encourage the development of excellence -- centres of world-class expertise -- in the context of reduced public funding?

Our university system will see a period of rationalization over the next decade; overlapping programs must be eliminated or merged, and greater efficiencies in program delivery and in administration will have to be found and developed.

The answer to the funding question has to lie in better management. There are a number of ways to maintain accessibility while reducing costs, to allow a re-allocation of resources to support the development of institutional excellence.

Distance education -- the so-called virtual classroom, made possible with advances in technology -- creates enormous opportunities to deliver quality instruction to students across Canada and around the world through interactive teleconferencing. The Internet opens up a whole set of possibilities. This sort of technology will drive down costs significantly -- while pushing accessibility to levels not considered possible with only "traditional" delivery channels.

A greater emphasis on part-time studies and on community colleges, which generally have lower cost structures, could also drive down total system expenses. And, of course, the rationalization of schools, programs and administration is essential.

But, for the most part, how we fund our universities comes down to a very fundamental choice. Should we continue to expect government to decide how money should be allocated for universities -- what I will call the bureaucratic status quo option -- or should we let competition among our universities decide, on the basis of peer competition for funding?

This second option is clearly the one I favor. Under the status quo, spending on education in Canada would remain high and we would continue to see a high number of graduates -- both good things. But we would, in effect, be perpetuating the over-emphasis on access by rewarding and funding schools on the basis of number of students.

I would argue that this sort of funding equation makes our universities a tool of social policy. I very strongly support the need for universality in certain areas of social policy such as health care and pensions -- these needs are clearly understood. But I do not believe that universities should be funded on the basis of headcount.

Existing funding schemes have hurt the overall quality of education in Canada. I find it somewhat ironic that over the past couple of decades, as the demands on higher education were becoming more diverse, universities were becoming more alike and trying to be all things to all people.

Existing funding mechanisms have also eliminated much of the accountability in the system -- student fees cover only about 15 per cent of total university costs. That is not much of a check and balance. Instead, why not allocate research money to universities on the basis of competition? Why not provide some government funding, while letting universities vary fees?

This would force universities to compete for students -- for bursary and scholarship money. It would also make it easier for students to pick the university they want to attend - for specific programs and specific areas of excellence. And it would make it easier for employers to know where they should go to recruit the best students in a particular field.

As a matter of fact, many universities are already jockeying for the most promising students. Rob Prichard at the University of Toronto brought bus loads of Metro's most motivated students in for an open house last year. And Carleton University in Ottawa -- which was built on the basis of accessibility but today suffers from declining enrolment -- is introducing a new elite program in the humanities later this year.

In other words, many of our foremost academic leaders, such as Mr. Prichard at Toronto, Larry Tapp, who is newly ensconced at the University of Western Ontario -- now the Ivey -- Business School, and others, are welcoming change, challenge and competition - and that is great.

On the issue of tuition, fees at U of T or Queen's or Western are about one-tenth of the tuition at a U.S. Ivy League school. Even public universities in the U.S. have significantly higher fees. Encouraging our universities to develop world-class programs in Canada would mean that a premium could be charged, which would support an even greater emphasis on institutional excellence. The winners get funded, while the losers must change.

Typically, the argument you hear against higher tuition is that this would mean certain students could not afford a university education. I am certainly not arguing for some form of elitism. But, the experience of other countries would suggest that low tuition is not necessarily required to protect access. Australia eliminated tuition several years ago but saw practically no change in the demographic make-up of its student population. They have since gone back to charging tuition fees.

That said, I am very conscious that last year's enrolment numbers in Canadian universities levelled off, and that this year's preliminary statistics show the number of applications to Ontario universities for this fall are down.

So access -- based on merit, not the ability to pay -- must be protected. It is time, in my view, for governments to re-examine their student loan programs. It is time to look at loan systems that link repayment schedules to income after graduation. Over the past couple of years, banks have developed very aggressive student loan programs. At Scotiabank, we are funding more students' loans than ever before.

As well, we need to encourage private institutions to supplement public institutions with more focused privately funded schools. On this front, I believe that we need to re-think our fundamental approach to education.

Let me make one last point on funding. Individual generosity towards universities in Canada has never equalled that experienced in the U.S., but if the education-economic prosperity link is better understood, my sense is that this support will improve. Certainly, university fundraising in the corporate sector has become much more sophisticated and much more relevant over the past few years.

Which leads me to the last item that I would like to discuss: the role of business in education and the development of institutional excellence, and in private funding of programs.

Canada has a good track record on this count. We have been leaders in the university co-op concept -- with the University of Waterloo probably the best example. Clearly, universities and business must continue to work together on these sorts of programs.

But even more is required of business today. It is no longer sufficient to simply provide donations. Business has a responsibility to ensure that it supports institutions financially and in program development, making sure that programs are aimed at real needs, real skills and real benefits to the student and to our community.

To use Scotiabank as an example, our financial support for educational institutions over the past year totals almost \$2 million, including our commitments to new programs. And more and more, we are helping fund specific programs -- working with universities to make sure that we are adding value, that our efforts are oriented towards the job market and that we are helping to develop necessary skills.

To give you a couple of examples, we recently funded a program at Carleton University to expand its link to the information highway by sponsoring a major expansion of the schools' electronic communications infrastructure.

At the University of Saskatchewan, we have donated \$250,000 to develop and deliver an Aboriginal business program, in response to the growing demand for Aboriginal business leaders who understand increasingly complex economic, government, land claim and resource issues. And the program is enjoying great support.

At Simon Fraser University, we are funding -- for \$300,000 -- a new program for women entrepreneurs, who are a fast growing group and key element in the small business market.

And at the University of New Brunswick, a \$200,000 donation last month will help establish the Scotiabank distance education centre. UNB has emerged as a strong regional leader in technology-assisted education. Over 100 courses are offered, through CD-ROMs, audio and video teleconferencing, and on-line PC hook-ups.

These are new approaches and new attitudes, they reinforce the strong business-education partnership track record that already exists, and constitute funding of relevant programs rather than just bricks and mortar.

On that note, let me summarize. I believe that our economic future depends on our ability to create, use and manage knowledge as effectively -- more effectively -- than the rest of the world. I believe that human skills -- that people -- are the only true source of comparative advantage over time. And I believe that we have to move towards the forefront of university education by developing the sort of institutional excellence that exists in other countries. Or we risk, over time, losing our best and most capable people -- our leaders of tomorrow.

To do this, we need to unbundle our funding and allow universities to compete for research grants; we need to tolerate variation in tuition fees to promote institutional excellence; and we need to permit private institutions to play a role in our university system. Let the market, not the government, determine which universities succeed and where our centres of excellence are.

Ladies and gentlemen, we have a great country and I, personally, believe in its future -- a future that demands the best and most challenging of educational systems.

Thank you very much.

