

EDUCATION

An industry that defies recession and looks to have a multibillion-dollar future.

● Private education has emerged as a clear-cut future boom industry in Australia, worth \$6.08 billion in 2007-08, business analyst IBISWorld says. What's more, it has so far shown itself to be resistant to recession: in 2008-09, revenue in this sector is expected to reach \$6.91 billion.

"The types of parents who consistently pay for tutoring for their children don't consider it a discretionary purchase and will continue paying for it, even when the economy declines. Educational success is considered more urgent in economic downturns," IBISWorld industry analyst Raghu Rajakumar says.

The earnings of operators in this sector are staggering. Austech Institute for Further Education opened its doors in December 2002 and closed its accounts for the 2007-08 financial year showing \$30.43 million in turnover. "The going rate for a 12-month cookery course is at least \$12,000, probably more," migration lawyer Peter Bollard says.

No household name has emerged in the Australian education market yet, but big

players such as Kaplan, Navitas, Think (formerly Amadeus Education Holdings) and IDP Education are all angling for dominance. Consolidation is the way of the future.

The dark horse in this herd is online job advertiser Seek. It has the power and placement to marry education, training, migration and employment. Job seekers are an ideal market for online education because they often need new skills when changing careers. Seek has become an active distributor of other companies' education products and has vowed to become more active in this area by acquiring promising small operators. It owns a 50 per cent stake in both Think and IDP Education.

But international education is very much a horizontally integrated industry. "About 40 per cent of foreign-student expenditure is not on tuition fees, it's on associated industries," IDP chief executive Tony Pollock says.

Student accommodation is one growth industry to emerge from that peripheral expenditure. Campus Living Villages, which builds student accommodation on university campuses and operates them on behalf of universities, has seen revenue soar by 51 per cent in the past two years.

The company is backed by Transfield Holdings and in 2006 began looking for ways to tap superannuation funds as well as other equity sources to expand in Australia and the US.

The fundamentals of student housing are sound as an investment opportunity, Atchison Consultants managing director Ken Atchison says. But it has performed poorly in institutional investment vehicles because it's an unfamiliar concept and therefore perceived to be high risk.

"In reality it's no riskier than residential-property investments," he says. "Several university endowment funds in the United States have done quite well out of it."

Agnes King

