INDUSTRY PROFILE

Industry, Science and Technology Canada
Industrie, Sciences et Technologie Canada

Commercial Education and Training Services

Canada

I N D U S T R Y

P R O F I L E

COMMERCIAL EDUCATION AND TRAINING SERVICES

1988

FOREWORD

In a rapidly changing global trade environment, the international competitiveness of Canadian industry is the key to survival and growth. This Industry Profile is one of a series of papers which assess, in a summary form, the current competitiveness of Canada's industrial sectors, taking into account technological and other key factors, and changes anticipated under the Canada-U.S. Free Trade Agreement. Industry participants were consulted in the preparation of the papers.

The series is being published as steps are being taken to create the new Department of Industry, Science and Technology from the consolidation of the Department of Regional Industrial Expansion and the Ministry of State for Science and Technology. It is my intention that the series will be updated on a regular basis and continue to be a product of the new department. I sincerely hope that these profiles will be informative to those interested in Canadian industrial development and serve as a basis for discussion of industrial trends, prospects and strategic directions.

Robert de Cotret

Minister

Canada

1. Structure and Performance

Structure

The industry consists of establishments engaged in the commercial delivery of education and training services. These services are delivered outside the formal public education system and are provided on a fee or contract basis (direct payment by purchaser). The industry is made up of four major components: firms that specialize in providing education and training services; private schools that rely on tuition fees for their operating revenues; businesses whose product or service have some education or training activity attached to it; and universities and colleges that sell some of their services commercially. There are also a number of non-governmental organizations (NGOs) and representative associations that act as brokers of education and training services supplied by public institutions and, to a lesser extent, the other three components of the industry.

The industry is characterized by a diverse number of small firms, consultants, companies and public and private sector institutions, which supply equally varied services to domestic and international markets. As a result, statistics about commercial education and training services are either not available, incomplete, or do not give an accurate view of the range of activities of the industry.

The domestic and international markets for commercial education and training services are significant. In 1988, Canadian businesses spent an estimated $5.5 billion to $6 billion providing three million employee education and development courses, and it appears this market is growing. Over the past 18 months, some provincial governments have highlighted the need to develop domestic human resources adequately to ensure Canada's competitiveness in the future. This points to an increasing need for public and private education and training services to develop human resources to meet the anticipated demands of the domestic work force.

In industrial economies such as Canada's, domestic demand for commercial education and training services is largely served by domestic suppliers. There is very little trade between industrialized countries, except in some specialized training areas where the expertise is not widely available or where students wish to study abroad. In most cases, foreign suppliers can rarely compete against the on-site advantage of domestic organizations. Most international trade in commercial education and training services flows from industrialized countries towards less developed countries (LDCs) or newly industrialized countries (NICs). These countries cannot meet their own requirements for such services.

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A review of suppliers of commercial education and training services provides insight into the different types of operations and their services. Firms that provide specialized education and training programs and services make up the first component of the industry. Services include the production of manuals and training videos, as well as curriculum design, train-the-trainer programs and evaluation and design of training needs. These firms are part of the growing private-sector activity in commercial education and training services. Domestic clients include companies and government departments seeking to upgrade employee skills and productivity. Internationally, these firms provide services to countries through contracts received from aid and development organizations like the Canadian International Development Agency (CIDA), the World Bank and the Asian Development Bank. These services are also being purchased directly by foreign governments and companies on a purely commercial basis.

The second component consists of private schools, of which there are two types. The first type is the independent school in Canada that delivers public education (primary and secondary) school curriculum for a fee. There are 1000 such schools and they operate independently from local school boards and provincial departments of education. Independent schools are part of the commercial education and training services industry because they rely primarily on tuition fees for revenue.

Independent schools in Canada market their services both domestically and internationally. Internationally, they have particularly relied on attracting students from newly industrialized countries like Hong Kong and Singapore. More recently, there has been an influx of students from Mexico and other Central American and South American countries. A sub-group of these schools is the "visa" school which exclusively teaches the last few years of high school and prepares students for entrance into Canadian universities. Visa schools, whose fees average $3500 per year, may have enrolments of more than 500 foreign students, although the average is 67.

The second type of private school is the licensed private business and the trade/vocational school of which there are 900 in Canada. More than three-quarters of these are private training institutes. The remainder are correspondence schools. One-third of the programs are in commerce, management and business administration, and another third are in engineering, applied science, technology or trade. In the 1986-87 academic year, these schools reported a total enrolment of 188 000 students. In addition, there are a number of highly specialized, industry-focused technical training institutes. These attract both Canadian and international students for a variety of industry-related skills development and skills upgrading training. For example, the Petroleum Industry Training Service (PITS) has a $12-million training facility in Edmonton that offers specific programs to new and career employees of the oil industry. This non-profit centre is jointly sponsored by Alberta oil companies.

The third component of the commercial education and training services industry consists of those businesses and professional services firms whose product or service has an educational activity attached to it. There are a variety of professional service firms (consulting engineers, chartered accountants and management consultants) whose principal activity is part of another industrial sector, but who also deliver commercial education and training services in domestic and international markets. Most of the larger consulting firms are interested in and capable of teaching specialty courses based on their own professional expertise. These include forestry management, environmental protection, fisheries development and program/project evaluations of technical training needs.

Also included are companies that provide education and training services as part of the sale of equipment or on a stand-alone basis. An example is the training courses and manuals sold with computer equipment. In addition, most Canadian telecommunications equipment manufacturers have training programs to assist with the technological transfer resulting from the sale of telecommunications systems and related equipment. These services have been developed by companies to ensure a long-term competitive position in their markets. There are no data on the revenues derived by these firms from the delivery of education and training services.

The fourth component of the industry is the commercial activities of Canadian public educational institutions, primarily colleges and universities. These institutions have been involved with the commercial delivery of services to the international market for a number of years. More recently, they have become involved with the domestic commercial market in response to the demands of Canadian industry. Public institutions recognized the potential of the domestic commercial market for short-term seminars and specialized training programs in areas such as small business management, new dentistry techniques and computer services.

The range of commercial activity internationally varies greatly between institutions. Some do not offer any services commercially while others have become quite active internationally. Many actively promote their services overseas through offices established on their campuses. At the same time, these institutions rely on their representative association and NGOs to identify overseas opportunities. NGOs include the Association of Canadian Community Colleges (ACCC), the Association of Universities and Colleges of Canada (AUCC), the Canadian Bureau for International Education (CBIE) and World University Service of Canada (WUSC). All have actively marketed Canadian institutional services overseas for the international student market or to supply education and training services for particular projects.

The largest export market for these institutions continues to be the enrolment of international students. Currently, nine provinces apply some form of higher tuition fees for international students attending primary, secondary and post-secondary institutions — 50 percent to 200 percent higher than fees paid by Canadian students. The presence of international students in Canada represents a substantial source of foreign revenue. It is estimated by the Vancouver Board of Trade that each international student contributes around $10 000 to the Canadian economy each year. Given the 1987-88 enrolment statistics, this would mean that international students contributed more than $500 million to the Canadian economy, with roughly $400 million originating from outside Canada.

For the 1987-88 academic year, the Canadian Bureau for International Education estimates that there were 54 000 international students studying in Canada. Of these, 31 percent were in elementary and secondary schools, and 69 percent attended graduate and post-graduate colleges and universities. The total number of international students studying in Canada has declined 17 percent from a peak of 64 800 in 1982. Over the same period, elementary and secondary school foreign student enrolment increased by 11 percent, college and trade school enrolment by 20 percent, and graduate program enrolment at universities by eight percent, while undergraduate enrolment dropped by 20 percent.

The international student market has been declining over the last few years as fewer foreign students travel abroad to seek an undergraduate education. The NICs and LDCs which provide most of these students are now establishing their own universities and community colleges and no longer fund the cost of foreign study. This has changed the demand for commercial education and training services, as the LDCs and NICs seek to develop and improve the capacity of their institutions by purchasing specialized training services, teacher training and curriculum design.

Canadian colleges and universities are becoming increasingly involved in the delivery of commercial education and training services internationally, mostly through international development projects sponsored by CIDA or other international financial institutions (IFIs) such as the World Bank. Many developing countries do not have the domestic capacity independently to develop and provide their own infrastructure of schools, colleges and universities. Therefore, they turn to foreign institutions for the required expertise in institutional management, administration and for educational services such as teacher training, curriculum development and the management and provision of staff for education and training projects. Needs are usually clearly identified with information from governments and/or local businesses. Requirements are specific to resolving a particular shortfall in human resources expertise and knowledge.

Traditionally, the international market for Canadian education and training services has been channelled through aid and development projects. The export of most of these Canadian services continues to be funded by CIDA or one of the many international organizations to which Canada provides financial assistance. As a result of a new CIDA policy, more CIDA-sponsored projects will have education and training components. Countries eligible for aid relief are asked to identify training needs when developing and presenting projects for funding.

There are many positive benefits from the export of commercial education and training services. Students who study in Canada take back with them a wealth of experience and an insight into the host society through a variety of working and personal contacts. When students return home, these contacts can serve as essential links in the flow of ideas, information and technology which could, in turn, lead to stronger cultural and commercial ties. The export of commercial education and training services to developing countries can produce a continuous demand for new services and a variety of products. These would support not only the delivery of education and training services, but also the needs of a country that has the skills and expertise to develop further.

Performance

The commercial education and training services industry in Canada began to grow in the late 1960s. CIDA, established around that time, has a large number of international development projects with education and training components. Overseas opportunities, supported by CIDA, assisted Canadian public and private institutions to become not only involved in international development and technical co-operation, but encouraged them to develop an international market focus. Any changes to the structure and delivery of Canadian technical co-operation and aid development programs could affect the competitiveness of Canadian commercial education and training services, whose growth and export development have been strengthened by such programs.

To date, Canada has participated in a large number of international projects that delivered a variety of specialized services. Because of Canada's expertise in forestry, petroleum, mining and fishing, domestic organizations have been able to provide expert programs in these areas to meet foreign education and training services needs. Canada is recognized as a leader in the delivery of services in these fields.

The domestic market for commercial education and training services is relatively new, compared to the international market. While there has always been a domestic need for education and training services, these have traditionally been supplied either through the formal public education system or by in-house training programs provided by employers. It is only since the end of the 1970s that a commercial domestic market has been identified. Suppliers, institutional and corporate, have developed these services, offered on a commercial basis, to meet particular personal and corporate education and training goals.

While there are no data on the size of the worldwide market for commercial education and training services, budgets of some international financial institutions give an idea of the potential market for Canadian suppliers. In 1987, the World Bank contributed more than US$450 million to educational projects in developing countries. In the same year, the Asian Development Bank contributed more than US$100 million to similar projects. In addition, there are educational components included in most IFI projects in developing countries.

Canada contributes about 4.5 percent of the overall budgets of IFIs, and receives about two percent of the contracts awarded by these organizations. Canada could fare better in competing for IFI projects. International competition is strong and Canadian suppliers need to be more aggressive if they are going to improve their bidding success.

Until recently, organizations such as CIDA and the World Bank have been catalysts for international market development in this industry. These organizations have identified the needs and drawn up parameters for projects they sponsor. Increasing competition for international services encourages public and private sectors to look more closely at developing new markets for these services. Buyers are becoming more sophisticated because suppliers from other countries are actively marketing a broad range of services in new markets, instead of waiting for countries or IFIs to identify a particular need and then tendering for project bids. The Canadian industry, which has relied on CIDA to identify and develop market opportunities, is beginning to adopt this marketing practice, and has the opportunity to increase its share of the international market.

2. Strengths and Weaknesses

Structural Factors

Canadian suppliers have tended to be more reactive in marketing their diverse commercial education and training expertise internationally. They have bid on projects that have already been identified and put up for tender. By contrast, Canada's major competitors in the international market are very aggressive and well co-ordinated nationally. In this industry, Canada's major competition comes from Britain, France, Japan, the United States and, more recently, Australia. These countries have adopted marketing practices designed to meet the needs of the market. By comparison, Canada does not have any planned approach to marketing its commercial education and training services overseas.

Japanese and Australian organizations are predominantly active in the Asia-Pacific region. Britain, through the British Council, continues to attach importance to the lucrative commercial education and training services market of this region as well. In Japan, both the private and public sectors have invested heavily in training institutes, primarily as a "loss leader" to support the development of export markets for Japanese technologies. These institutes are an integral part of trade, export and investment promotion as they help create future markets for products which will require new skills. The provision of industrial training services in highly visible forms, such as training institutes, is now almost a prerequisite for non-aid projects in certain Asian countries if companies wish to get continuous contracts. The Pacific Rim is a good potential market for Canada, but Canadian companies have not adopted the training institutes approach to this market.

Australia has benefited from being near the Asian-Pacific market and has established offices in certain target countries to generate interest in its commercial education and training services. Several Australian institutions have formed a consortium to market their services through a number of centralized offices in other countries. This co-ordinated approach, combined with an on-site presence in foreign countries, has greatly increased the profile of Australian institutions. As a result, the international student enrolment in Australia has increased significantly in recent years.

The United States is a traditional international competitor by virtue of its size and economic diversity. Most American embassies have detailed information about educational opportunities at U.S. public and private colleges and universities. As well, the U.S. government regularly leads trade missions abroad to develop foreign government and private-sector interest in American commercial education and training services. As in Australia, several American institutions have formed consortia to market their services internationally. Some of these have become influential in developing new market opportunities for their member institutions, as they have resources to which a single institution does not have access.

This co-ordinated, on-site, central approach to the international marketplace has been most successfully practised by the British Council which has encouraged international trade in British education and training services. Many British educational institutions belong to the council which, through offices in nearly every country, actively markets the commercial education and training services of its member colleges and universities. As a representative agency abroad, the council has become a strong marketing resource for British suppliers of commercial education and training services. France, like Britain, is also a significant competitor, with strong government support for the marketing of its education and training services.

The on-site presence in foreign countries, combined with a more co-ordinated industry approach to the international market, is becoming increasingly necessary if countries are going to increase the exports of their services. To date, Canada has not adopted this approach in any significant way. A recent initiative which recognizes the need for more co-ordinated marketing efforts was undertaken by a consortium of Canadian NGOs that established a Canadian Education and Training Centre in Kuala Lumpur, Malaysia. This centre, funded by CIDA and attached to the Canadian High Commission, promotes education and training opportunities in Canada for Malaysians. The consortium of NGOs has agreed that this centre will jointly market the services of each organization, as well as the resources of its institutional and corporate membership. This is a new approach for these consortium members, who have traditionally competed with one another.

In addition to the need to establish a presence abroad, Canadian international marketing efforts would benefit from a more co-ordinated approach. In particular, problems arise when the same organizations appear on several bids for the same contract. For example, a college or university may submit a bid itself, or be part of a bid by a consortium with a private-sector company, while also being involved in a bid from an NGO or representative association of which it is a member. Such developments harm the clarity and strength of the image of Canadian capabilities in foreign markets. A more co-ordinated marketing approach, stressing increased cooperation between public and private suppliers, would reduce demands on their already limited marketing resources. This would free resources that could be used to further develop existing and new markets for Canadian services.

In the market for international students, Canadian institutions, NGOs and representative associations are often hampered because it is difficult for individual colleges and universities to specify the number of placements available to international students. Canada's competitors do identify the number of qualified students they are willing to accept and this has given them a competitive advantage. The lack of data on the absorptive capacity at Canadian institutions has hindered attempts to attract a greater share of international students.

Trade-related Factors

There are no tariffs on the provision of commercial education and training services either in Canada or abroad. There are also no significant tariffs on goods associated with the delivery of commercial education and training services. However, there are some non-tariff barriers (NTBs), including labour mobility restrictions, which pose problems for the export of education and training services from Canada to other countries. Under the Canada-U.S. Free Trade Agreement (FTA), there is a provision to facilitate temporary movement of service providers between Canada and the United States. While there is little trade in commercial education and training services between these two countries, the FTA will permit such trade to flow more freely.

Technological Factors

Technologies, such as computers, software, robotics, video and audio tapes, radios and televisions, are used in a number of different facets of the commercial education and training services industry. Their primary use is to facilitate the exchange of knowledge and expertise. They are also sought by clients who want to improve their technical expertise through the transfer of the technology itself, as some education and training services are attached to the purchase of technological goods. Finally, technology is used to improve the administration and management of schools, curriculum and students. Personal computers, facsimile machines, electronic mail and computer conferencing are being used increasingly by the industry to manage its services both in Canada and abroad.

The industry in Canada is adept at the use of all aspects of these technologies, and has acquired a particular strength in the development and application of technology for distance education services. There are more than 35 public institutions in Canada involved with distance education services. The provincial governments of British Columbia and Ontario have actively supported distance education to meet domestic educational requirements. In 1987, the Canadian government agreed to establish two domestic centres to develop and apply distance education technologies and to co-ordinate Commonwealth and Francophone country needs. Working groups with substantial experience in this field are now completing the financial and organizational planning. Both centres, one in Montréal and the other in Vancouver, will be operational in 1989.

The major markets for distance education technologies are the LDCs and NICs, but the application of the technologies may be restricted by the lack of supporting services abroad, such as telephone and satellite communications, or even by a general unfamiliarity with computer equipment. Many countries and certain geographical regions do not have the capacity to use this type of technology.

Other Factors

In Canada, provincial governments administer various policies and programs that govern elementary, secondary and post-secondary institutions as well as private trade/vocational schools. Some provinces, whose public institutions are active internationally, are developing guidelines in order to bring some structure and focus to overseas marketing initiatives. In response to the domestic demand for commercial education and training services, most colleges and trade/vocational schools are involved with the Canadian Jobs Strategy and other training programs of federal and provincial governments. This involvement demonstrates that government-induced changes in educational policies, curriculum, staffing and funding can have an effect on this industry's domestic and international activity and output.

3. Evolving Environment

International trade in commercial education and training services through tendered contracts of IFIs is not expected to grow significantly in the near future. There has been a steady increase in the number of non-aid related education and training services projects in many NICs and LDCs. Their need for improved educational systems will ensure that market opportunities continue to grow.

New trade opportunities are also emerging for Canadian suppliers in countries seeking alternatives to the services already supplied by other major exporters. Canadian suppliers are relatively new in the international market and are regarded as positive alternatives to firms and institutions that have traditionally dominated.

It is expected that the domestic market will also continue to grow, and that there will be increased opportunities for private suppliers of commercial education and training services. These opportunities will come from businesses seeking more highly skilled domestic workers to meet the competitive demands of the marketplace.

The international and domestic market demand for commercial education and training services is not rigid. As a nation's human resources develop, its educational infrastructure develops and matures. With development and industrialization, a country's requirements become more specialized and a greater proportion of technical/vocational education and training will be needed. This points to a constantly growing market whose demands continue to change.

4. Competitiveness Assessment

At present, there is little foreign competition facing Canada's domestic suppliers of commercial education and training services. Internationally, Canada faces many challenges, as Canadian suppliers often have neither the marketing experience, nor the resources to identify and capture new opportunities. While the quality of the services being offered by the different components of the industry are highly competitive, there still exists some confusion abroad about Canadian capability and what Canadian suppliers have to offer. To date, Canadian suppliers of these services have not approached the international market in as co-ordinated a manner as might be desired. The challenge is to be more focused in international activities which will place the Canadian industry in a better position to capture export opportunities.

The export of these services internationally is relatively new for Canada. The positive benefits of exporting are reinforced by the potential to develop broader and longer-term trading relationships as a result of the initial provision of education and training services. As developing countries improve their human resources and industrial infrastructures, their needs for education and training services will change and become more specialized and technical. Given these market characteristics and the high quality of Canadian expertise, there are numerous opportunities for this industry to increase its exports.

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