

BY ELAINE ANG

MERGERS and acquisitions (M&As) will soon be the catchphrase for private institutions of higher learning.

After a bout of M&As in the insurance and banking industries, the government has turned its attention to the education industry and according to some - it is about time.

National Association of Private Education Institutions (NAPEI) president Dr Mohamed Thalha Alithamby welcomed the call by the Higher Education Ministry to merge private colleges, as it would help to strengthen the industry.

Thalha said of the 530 plus private institutions of higher learning, the majority were small ones with less than 1,000 enrolment.

"Some of these smaller institutions are conducting niche courses and are therefore profitable but the majority of them are surviving on hand-to-mouth cashflow," he said, adding that the mergers would create more financially viable institutions that would complement and reinforce each other.

Analysts, meanwhile, see the mergers as a means for the institutions to improve on the quality of education, which in turn would attract more students and boost revenue for the players.

OSK Research senior analyst Chris Eng said the merger of private colleges would benefit the industry as larger colleges could offer better facilities and employ better qualified professionals as its teaching staff, thus attracting more students.

"This will enable the colleges to secure better overseas partnerships for their programmes as they will have more clout with a bigger student enrolment. This would also enable them to offer a wider range of courses.

"A larger entity will also result in economies of scale in terms of the number of teaching staff and shared facilities," he said.

However, Eng cautioned that having bigger players could increase competition and make things

Merger of private colleges timely

INTL LIBRARY FOR REFERENCE

The Higher Education Ministry's call for private institutions of higher learning to merge is seen by many as a move that will improve the quality of education and strengthen the industry.

As an encouragement for these institutions to merge, the government is said to be looking at special incentives and will be coming out with a suitable merger concept similar to the model used to merge insurance firms and banks.

Beginning today, *StarBiz* will be talking to some of the big players in the industry on their plans and views on the proposed mergers as well as their outlook for the industry.

Education Mergers?

"tougher" for all in the industry.

The merger call could result in education providers specialising in specific fields to merge with others for a wider product range, thus increasing competition.

Eng sees major players like SEG International Bhd (SEGi) potentially buying up the smaller colleges to get an even broader reach of the education market.

A case in point is Inti Universal Holdings Bhd, which through its acquisition of Metropolitan College, renowned for its Australian programmes, now has a wider range of programme offerings.

"Mergers have been ongoing but on a smaller scale. If the recommended incentives are provided, we can see a flood of mergers over the next two years," Thalha said.

NAPEI's suggestions on how the



Dr Mohamed Thalha Alithamby

government could encourage mergers in the industry include the establishment of a special unit within the Higher Education Ministry where those wishing to sell or buy can "find partners" by registering there.

"The government can also consid-

er some 'carrots' like the waiver of stamp duty for a period of two years for institutions that merge. It can also reduce the amount charged by Lembaga Akreditasi Negara (LAN) for accreditation of courses by 50% for those institutions within the next two years and sponsor more government scholars to take up their studies in the merged colleges to give a boost to their cashflow," he said.

In addition, Thalha said a Private Education Capital Development Fund could be established to make available a revolving fund of RM200mil to enable merged institutions to borrow at reduced interest rates of not more than 4% to invest in enhancing their hardware and software to upgrade their quality.

On the optimum number of private institutions of higher learning needed to sustain the local and overseas market, Eng said the number could be pared down to 100 to 200 in the next few years from the current 535.

"In order to survive, the smaller institutions will have to merge or even drop out by selling to the bigger boys," he said.