

University of Phoenix (a subsidiary of The Apollo Group)

LAST UPDATED NOVEMBER 2002

BACKGROUND - For two excellent, in-depth articles on the privatization of Education, please see:

A. [Summa cum avaritia: plucking a profit from the groves of academe](#), Nick Bromell, Harper's Magazine, February 2002.

B. [Us Versus Them: Laboring in the Academic Factory](#), Michael Yates, Monthly Review, January 2000.

Click ahead to the [Economic Profile](#) section

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(For background information on how these sections are organized, [click here](#))

1. Organizational Profile

The University of Phoenix is a private university with campuses throughout the United States and in British Columbia, Canada. They offer courses in business, information technology, health care services and others. They offer low wages and standardized courses as a means to keep costs low and make very high profits. They are looking to expand internationally and they use their clout as members of the US Based [National Committee for International Trade in Education \(NCITE\)](#) to do so. NCITE is an organization which, as a member body of the [US Coalition of Services Industries](#), pushes for easy cross-border trade in Education through use of trade agreements such as the World Trade Organization's (WTO) General Agreement on Trade in Services (GATS).

As well, the University of Phoenix has had a serious effect on the outlook of other University systems. According to an article in the Times Higher Educational Supplement, the "extraordinary growth" of the University of Phoenix has "persuaded officials at traditional American institutions of the one-time heresy that higher education is a market – a commodity that responds to differences among schools in such variables as cost and convenience." In the words of former Phoenix President William Gibbs "the people who are our students don't want an education. They want what the education provides for them".

The four subsidiaries of the Apollo Group, the parent company of the University of Phoenix (from the University of Phoenix website www.phoenix.edu):

- **University of Phoenix (including University of Phoenix Online)** – Offers various degree programs to working students over the age of 23 in most U.S. states, Puerto Rico, and in ever increasing locations in Canada. The University of Phoenix is the key subsidiary of the Apollo Group and is the focus of this profile. Phoenix makes up about 60% of the total enrollment at the four subsidiaries combined.

- **Institute for Professional Development** - established in 1973, assists private small to medium-sized accredited colleges and universities in providing specially designed programs for working adults.
- **College for financial planning** - the largest U.S. provider of financial planning education, including the Certified Financial Planner® Professional Education Program.
- **Western International University** - mission is to prepare individuals to assume leadership roles as professionals, executives, and entrepreneurs in an ever-changing global marketplace.

University of Phoenix Mission Statement (from the University of Phoenix website www.phoenix.edu):

The University of Phoenix is a private, for-profit higher education institution whose mission is to provide high quality education to working adult students. The University identifies educational needs and provides, through innovative methods, including distance education technologies, educational access to working adults regardless of their geographical location. The University provides general education and professional programs that prepare students to articulate and advance their personal and professional goals.

“Established itself as a leading provider of higher education programs for working adults by focusing on servicing the needs of the working adult”

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University of Phoenix

- Includes programs in information technology, business administration, e-business, human services, health care services, e-education, Bachelor of Science in management.
- It is the largest private university in the U.S. Total number of locations as of the end of 2000: 150 which includes 54 campuses and 96 learning centers (up from 129 in 1999 and 84 in 1996)
- Number of Degree Enrollments as of May 2002: 125,364 - (80,157 on ground campus, 45,207 online campus)
- The Online portion of the U of Phoenix is growing rapidly through increased enrollments and is the main catalyst behind the University's rapid growth.

Executive and Compensation (Salary + Bonuses) for the year 2001 (US\$)

John G. Sperling, Ph.D. Chair of the Board, Apollo - \$450,000
 Todd Nelson, President and CEO Apollo \$662,510
 Laura Palmer Noone, Ph.D. President, University of Phoenix - \$257,420
 Jorge Klor de Alva (2000) former President, University of Phoenix - \$491,827
 Anthony F. DiGiovanni, President, University of Phoenix Online - \$459,000
 Kenda B. Gonzales, Chief Financial Officer - \$394,000

2. Economic Profile

Financial Data (previous year)	Aug 2001	Aug 2000	%Change
Revenue (almost exclusively from tuition)	\$180.5m	\$102.6m	75.9%
Net Income	\$30.4m	\$17.5m	73.7%
Earnings per Share	0.285	0.184	54.9%

Financial Data (previous three months)	May 2002	May 2001	%Change
Revenue (almost exclusively from tuition)	\$91.05m	\$54.01m	68.6%
Net Income	\$20.17m	\$12.71m	58.7%
Earnings per Share	0.177	0.1	77.0%

Trading Symbols: APOL, UOPX

- High tuition and low overhead (due to low teacher wages) have been instrumental in Phoenix's high profits.
- It is the first University in North America to be a publicly traded corporation.

Key Transactions and Contracts:

October 2002 - Announced that a campus will be built in Wichita, Kansas, the first one ever in Kansas and that campuses will be added in Ohio and Illinois

November 2001 – University of Phoenix created a Masters of Education Program.

June 2001 – selected to participate in the U.S. Department of Education's Distant Education Demonstration Program

May 2001 – Announced a new degree program in criminal justice

Feb 2001 – Phoenix announced that it plans to open up new branches in Alberta (Calgary and Edmonton), as early as the Fall of 2001

December 2000 – Bill 132 passes in the Ontario Legislature, opening the doors to private universities. Phoenix has yet to announce plans to set up shop in Ontario, though it has often expressed interest.

October 2000 – The Ontario Government introduced legislation (Bill 132) to permit private universities. The U of P wants to set up shop in Toronto and maybe in Ottawa. Ontario wants to allow the granting of degrees in Canada to private institutions. Currently, in the case of B.C., the University of Phoenix has had to grant degrees from Arizona, as B.C. has not allowed Canadian degrees to be granted.

Phoenix has lobbied the Ontario government for years (three paid lobbyists and over 40 trips) to

become Ontario's first private university, and it paid off as they found a receptive political climate in the fall of 1999, soon after the P.C. re-election. The granting of degrees within Canada to foreign companies likely will trigger NAFTA rules, as well as having serious implications for WTO-GATS, and FTAA rules if they are implemented.

October 2000 – University of Phoenix graduated their first class in Canada at the Burnaby Campus.

1999 – Began sponsorship of the 21st Century Teachers Network, a national network of K-12 teachers integrating technology into teaching. Gave a three year grant to the Network for their operations.

Joint Program with Wells Fargo Bank to teach Wells Fargo employees who receive 20 week programs for free. Phoenix has set this type of arrangement up with numerous other businesses.

3. Political Profile

Membership in National Committee for International Trade In Education (NCITE)

- Member of National Committee for International Trade In Education (NCITE) www.tradeineducation.org. NCITE describes itself in the following passage: “A new global order brought about by regional and global trade agreements, and particularly the General Agreement on Trade in Services (GATS) of the World Trade Organization (WTO), has spawned the need for an organized voice for United States education, training and testing institutions, corporations and organizations which provide services internationally. This organized voice is the National Committee for International Trade in Education (NCITE).” NCITE is an affiliate member of the **US Coalition of Service Industries** (www.uscsi.org), the key pusher of deregulation and privatization of the service industry.

• The purposes of the National Committee for International Trade in Education are fourfold:

1. To provide a forum for discussion and education to its corporate, institutional and organizational members related to our common interests in light of the trade agreements;
2. To act as an advocate and information clearinghouse for driving forces in the globalization of education and training, including but not limited to the globalization of the professions;
3. To provide accurate, current and organized information related to U.S. education and training interests to the proper U.S. government agencies, and particularly the Office of the U.S. Trade Representative (USTR), as well as keeping NCITE members informed of governmental and other related activity; and
4. To develop and maintain a national database of global providers of education and training services in order to provide ourselves, our government and interested parties accurate information related to the true scope of growing international activity in the delivery of these services.

- The University of Phoenix is one of only 12 members of this very powerful ‘trade in education’ advocate, giving it a great deal of power within. (Other members include Sylvan Learning Systems, Educational Testing Services, Jones International University, and the Global Alliance for Transnational Education – for a full listing, see

http://www.tradeineducation.org/general_info/founding_members.html

- NCITE was a co-sponsor of a consultation called "Higher Education and Training in the Global Marketplace: Exporting Issues and the Trade Agreements" at the Department of Commerce in May 2001. The other co-sponsors were the **Center for Quality Assurance in International Education** and the **US Department of Commerce : Service Industries, International Trade Administration**. The opening panel included representatives from NCITE, the US Coalition of Service Industries (of which NCITE is an affiliate member), the office of the US Trade Representative, and the US Department's of Commerce, Education, and State. The talk was called, "What is happening in the Global Trade Talks and How this Effects US Providers". Other talks had names such as "The Trade Agreements: A Discussion with the Feds" and "Barriers to Trade: What They Are, Where They Are, and What We Want to Do About Them." (*For More info on this conference, see the NCITE homepage listed above*)

National Advisory Committee on Institutional Quality and Integrity (NACIQI) - The President of the University of Phoenix, Dr. Laura Palmer Noone, was named in October 2001 to serve on U.S. Education Secretary Rod Paige's [National Advisory Committee on Institutional Quality and Integrity \(NACIQI\)](#). NACIQI advises the Education Secretary on accreditation, eligibility and certification for institutions of higher education. It is a key committee for consultation with the Bush Administration with regards to Education policy, so this appointment for the U of Phoenix gives it greater access to the Bush administration. Noone is also on the [American Council on Education's](#) Committee on Leadership and Institutional Effectiveness, as well as the Arizona Board for Private Post-Secondary Education.

Assistant secretary for the office of post-secondary education, Sally Stroup - Stroup was appointed to this position in March 2002, the top post-secondary policymaker position in the U.S. government. Before this appointment, Stroup was the top lobbyist for Apollo Group.

To gain a stronger understanding of the power that Stroup as well as Laura Palmer Noone now yield with their respective ties to top levels of government and their current or recent key connections to the University of Phoenix, it is worth quoting at length from an excellent article on University of Phoenix by Ana Marie Cox in *In These Times* magazine, which shows just how reliant on federal aid these so called "for-profit, free market" schools are:

"Really, the only dim spot in the Apollo group's bright future lies with the power of pesky government regulations and regional accreditors, both of which have the power to cut off the for-profits' access to Title IV federal loans and grants, the 1964 program founded with the express purpose of providing financial assistance to low-income students who would not otherwise be able to pursue a college education.

Without Title IV funds, few for-profits could afford to exist -- their students are about twice as likely to receive federal aid than students at nonprofits. And they get a lot of it: At the two-year level, for-profit schools get an average of \$ 6,974 in aid per student. Public junior colleges get \$ 2,609. For education corporations, students are simply a conduit for their piece of the \$ 35 billion federal loan and grant jackpot.

The Apollo Group is particularly motivated to loosen the Title IV restrictions. In 2000, an Education Department audit of the \$ 339 million in loans and \$ 9 million in Pell Grants distributed by the University of Phoenix found that the school failed to meet some basic standards, including giving the students at least 12 hours of instructional time per week. Apollo paid out \$ 6 million fines and returned more than \$ 50 million in ill-gotten loans and grants.

That's where Stroup can make a difference. Before joining Apollo, Stroup advised the House Committee on Education and the Workforce from 1993 to 2001. She was instrumental in helping to draft the 1998 reauthorization of the Higher Education Act, a piece of legislation that handed for-profits several victories: It made it easier to appeal penalization on loan defaults, it made surprise accreditation visits optional, and it redefined "institutions of higher education" to include for-profits rather than defining them as a separate category. The act also created a

special proprietary schools liaison with the Education Department, a privilege previously reserved for historically black universities and community colleges.

Now, Stroup and Laura Palmer Noone -- the Phoenix president who last year was appointed to the National Advisory Board on Institutional Quality and Integrity -- are in a position to put the finishing touches on what is essentially the deregulation of higher education. For-profits would like to get rid of the minimum number of hours per week required for a student to qualify for aid."

They also want to abolish a federal law that prohibits colleges from providing bonuses or other incentive payments to admissions officers or financial-aid administrators for enrolling students. According to the *Chronicle of Higher Education*, lobbyists for for-profits say that "the law does not allow employees to be financially rewarded for exceptional performance." That is sort of the point, though, as the regulation was created in response to recruiters from diploma mills, who earned such bonuses by enrolling students out of unemployment centers.

But the most important of the for-profit initiatives is the push to revise Education Department rules stipulating that at least 10 percent of a for-profits' income must come from sources other than federal aid. Once this restriction is lifted, the proprietary schools are in a position to siphon off a much larger portion of the aid available to all schools -- taking a bigger bite out of a program that is the lifeblood of resource-poor public colleges. None of these measures would improve the quality of education available at a place like the University of Phoenix, but they would improve the Apollo Group's bottom line.

["Phoenix Ascending", Ana Marie Cox, *In These Times*, May 13, 2002]

4. Social Profile

Problem Contracts

- **U.S. Student Aid Questions** - \$6 million to the US Department of Education to settle US inquiry into student aid questions. The department's inspector general had sought more than \$55 million in fines. Some of the questions in the investigations included Phoenix giving federal government funded financial aid to ineligible students including not returning public funds after students had dropped out. As well, accusations included instructors only teaching half the hours they were supposed to (Time which Phoenix said was made up for through 'study groups, though these study groups were shown to be completely unmonitored and unaccountable). The university claims no wrongdoing and to have only settled in order to avoid a lengthy and costly battle with the department. (*Chronicle of Higher Education*, April 21, 2000)

- Denied access to Texas and New Jersey for inadequate library and faculty resources (though they have been allowed into Texas now). (CUP Report www.cup.ca/campusnews/monday/13304.html)

Labour questions:

The costs to the University of Phoenix of producing one credit hour of cyber education is \$237 VS \$486 at Arizona State (typical traditional university). The big difference is due to teaching salaries and benefits which amount to \$46 for the University of Phoenix and \$247 for Arizona State. A typical Arizona State Professor makes \$67,000/yr plus benefits, while an instructor at Phoenix makes only \$2000/course, without benefits. ("I Got My Degree Through E-mail", *Forbes Magazine*, Lisa Gubernick and Ashlea Ebeling, June 16, 1997)

As well, Phoenix teachers teach from a standardized curriculum, which is created and approved at headquarters. Besides the feel of a 'McUniversity' that this can create, the Professors are less able to develop their own skills as a teacher, beyond basic rote instruction, and this is cited as

affecting the learning environment.

Quotations

John Sperling, Chair and CEO, Apollo Group, on his view of the University not being a 'social entity': "This is a corporation, not a social entity. Coming here is not a rite of passage. We are not trying to develop their value systems or go in for that 'expand their minds' bullshit."

[["Phoenix Ascending", Ana Marie Cox, *In These Times*, May 13, 2002]

John Sperling, Chair and CEO, Apollo Group, on the new 'realities' of education: The rapid evolution of technology in the global economy has created a demand for education at all levels. Not only is the pace of change rapid, it is accelerating. Education must not only be relevant to the demands of technology, it must be efficient in terms of time and place. Thus the current mantra – 'Anywhere, Anytime, Education.' Many traditional education institutions are unable to respond to the demands of this market, but the Apollo Group companies respond rapidly and do it with innovation and inspiration. The writing's on the chalkboard. In the 21st century there will be two kinds of education institutions: the quick and the dead. (from the Apollo Group Website: www.apollogrp.edu)

This is in line with management 'philosopher' Peter Drucker's assertion that: "Universities wont survive. The future is outside the traditional campus, outside the traditional classroom. Distance learning is coming on fast" ("I Got My Degree Through E-mail", Forbes Magazine, Lisa Gubernick and Ashlea Ebeling, June 16, 1997)

Compare this with Craig Swenson's comments (and often a Phoenix defense) that it will not affect traditional universities in Ontario, Canada: "We serve the working population, we see little conflict with the mission of the traditional university. There are many working Ontarians who are in need of higher education and there are probably many more in that category than all of the traditional institutions combined."

Stacy Modlin, working on a masters degree in organizational management: "The material in the courses is extremely redundant, and the quality of the instructors is uneven" ["A Scholastic Gold Mine" U.S. News and World Report, David Marcus, January 24, 2000]

Eugene Golub, President of a Professors union likened Phoenix's McUniversity feel to: "... a school that teaches art by copying the Mona Lisa using the color-by-number system" ["A Scholastic Gold Mine" U.S. News and World Report, David Marcus, January 24, 2000]

The following three quotations are from the "Crisis in Multinational Higher Education", Philip Altbach (Change Magazine, November 2000 - http://www.findarticles.com/cf_0/m1254/6_32/67884313/print.jhtml): "Multinational higher education always has elements of inequality. Institutions from the developed world are selling their products abroad, usually in developing countries. The usual product is "off the shelf" programs for use overseas. Decisions about the curriculum, standards, faculty, and requirements are made by the seller, seldom locally."

"The motive for establishing these multinational enterprises is almost always to make money. Of course this is the explicit aim of the growing number of for-profit institutions, but it is also the case for most traditional non-profit universities. Many of the latter, such as Australia's aggressive Monash University, are quite open about it. British and Australian institutions have been especially active internationally as a way of making up for budget cuts at home."

"Institutions like Jones International and the University of Phoenix are not really universities,

whatever the term in their titles. Rather, they are degree-delivery machines, providing tailored programs with appeal to specific markets. They do not maintain the regular faculties, participatory governance, research emphasis or free inquiry typical of established universities worldwide. They are devoted to delivering a clearly defined product, and they hire employees or contractors to produce and deliver it. They should not be called universities. A more accurate name would be the "Phoenix Training and Credentialing Service, a division of the Apollo Corporation."

Craig Swenson, Regional Vice President at the University of Phoenix: I believe it is possible to treat students and their employers as customers and to be responsive to markets without apology. If [traditional] higher education won't do so, I'm sure others will. (Change Magazine – Sept/Oct 1998 http://www.findarticles.com/cf_0/m1254/n5_v30/21164353/print.jhtml)

"The government is shortsighted in its presumption that private, for-profit universities will address the shortfall," said Dr. Jacek. "These high-tuition-driven institutions will not meet the need for a basic university education for qualified students in the province. And these private, niche-oriented institutions, despite government claims to the contrary, will in fact draw on the public purse through student loans and research funding.

"OCUFA notes with interest that the government's own figures, released yesterday, show the student loan default rates for private vocational schools are at 31 per cent, much higher than the 8.4 per cent for public universities," said Dr. Jacek.

Deborah Flynn, president of the Ontario Confederation of Faculty Associations (OCUFA):

"What is most shocking about the [Ontario] provincial position,... is that none of the fundamental problems associated with increasing student enrolment will actually be addressed by private universities. The University of Phoenix and Unexus, a private institution from New Brunswick also in the running for access to Ontario, don't target students required to alleviate the stress on Ontario's public universities. In the case of Unexus, all of the current registrants in its New Brunswick program are 'middle-aged executives'," reads the OCUFA report. "And the University of Phoenix proudly proclaims that its Vancouver campus is 'committed to providing higher education to working adults.'" ("Private Universities Destroy Quality Education: Faculty Group, Campus News, Andrew Sunstrum, April 3, 2000: <http://www.cup.ca/campusnews/monday/13304.html>)

Kerry Delany, spokesperson for the Ontario Government's Ministry of Training, Colleges and Universities: "We are considering the option to allow private universities to operate in Ontario. The minister [of education] has met with contacts from the University of Phoenix and several other private universities from the United States."

<http://www.varsity.utoronto.ca/archives/120/mar07/news/harris.html>

The Conservatives' promise not to provide public funds to privatize educational institutions is "misleading," says Jim Turk, executive director of the Canadian Association of University Teachers. "There are several ways in which private education would end up being underwritten publicly," said Turk. Students enrolled in private universities would, for example, be eligible for interest-free government student loans. Private universities, especially in their formative phase, would likely borrow resources from public institutions, including library and laboratory materials and even faculty members, especially those presently employed as contract sessionals with little job security. Donations to private universities would be tax-deductible. Zoning changes to accommodate private universities and related real estate developments would produce a huge, non-taxable boon to these institutions. "All of which amounts to a sizeable and largely unaccountable subsidy," said Turk.

<http://www.varsity.utoronto.ca/archives/120/mar07/news/harris.html>

On accessibility to higher education: In the Globe and Mail on April 28, 2000, Premier Harris noted, "There are a considerable number of Ontario students who are now going to the United States who are prepared to pay \$40,000, \$50,000, \$60,000 a year in tuition." He said that it is

only common sense to provide institutions in Canada that would accommodate such students.

It is apparent from the Premier's comments who would attend these private institutions. He obviously did not mean poorer students. Students at the new, private institutions will be eligible for money from the Ontario Student Assistance Program (OSAP). But the maximum tuition fee that will be accepted for OSAP aid will be \$4,500, as is the case for the existing institutions.

<http://www.osstf.on.ca/www/pub/bill132pres.htm>

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