



Starting up RMIT International University Vietnam

2006 International Investment Forum for Private Higher Education
International Finance Corporation Headquarters
Washington, D.C.
February 1-3, 2006

David Wilmoth Ph D, David Wilmoth Associates Pty Ltd

Outline of presentation

- Two presenters, 'before' and 'after'
- My role: VP International of RMIT, project developer and startup CEO
- Outline of presentation:
 1. Inception of project
 2. First financial / governance deal
 3. First education / accreditation deal
 4. First capital and campus deal
 5. Lessons from the first stage



RMIT Vietnam HCM City Campus



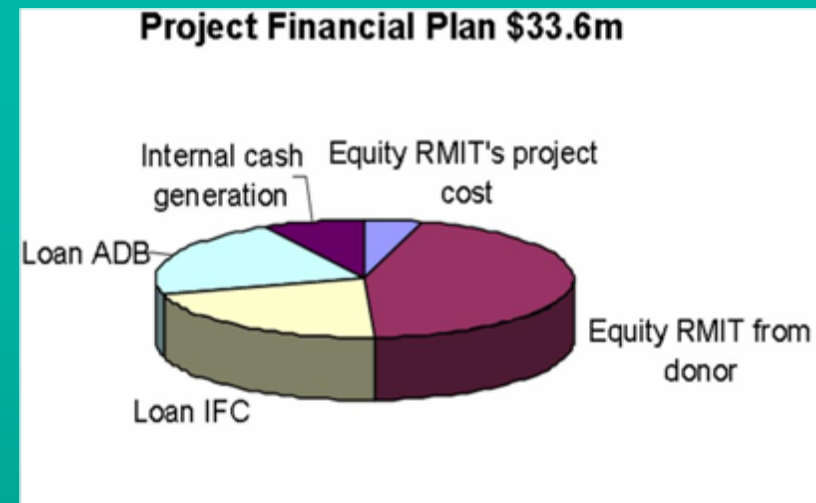
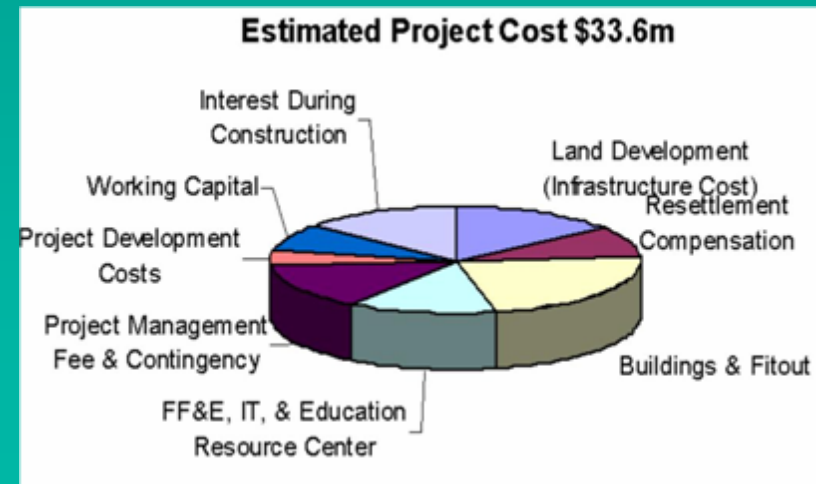
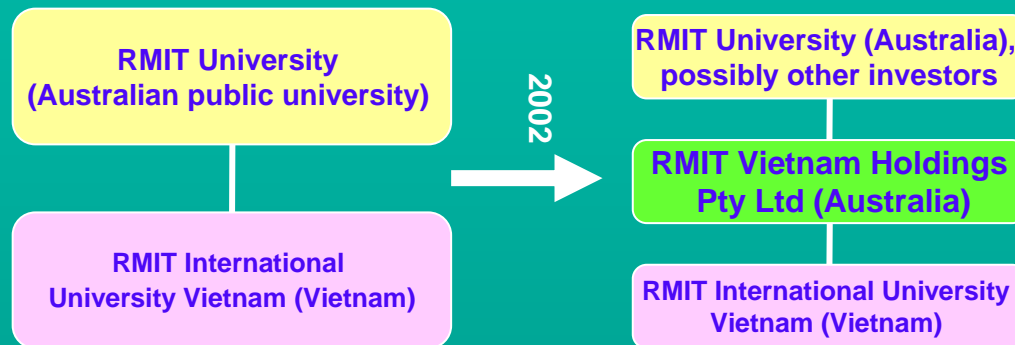
RMIT Vietnam Saigon South Campus Site

Origins of RMIT Vietnam

- RMIT a **public university** (dual sector – ie VET and higher education) with large international student programs and a commercial outlook
- **International strategy** was to have a small number of offshore campuses, already then 7000 RMIT students in East Asia
- Investment in long-term **relationships** (e.g. a building on Vietnam National University campus) built goodwill in Vietnam
- Government of Vietnam **invited** licence application in 1998
 - Concerned at unmet demand for university – ca 800k miss out p.a.
 - RMIT and Australia seen as safe, technical
- RMIT undertook **feasibility** studies
- Vietnam created a new **regulatory** framework
- **Licence** in 2000 of \$62m capital was biggest FDI that year
- **Other key people** then David Beanland (RMIT Pres) and Nguyen Xuan Thu (Vietnam rep)

First financial and governance deal

- **Began operations** on an interim campus 2001 while still fundraising
- **Mandate** with IFC, ADB for business plan and finance but also compared them with commercial financing. Concluded 2001.
- **Interposed a holding company** for lender security in 2002 and shrank investment licence down to \$33.6m
- **Donor provided gift** of most of equity, rewarding 'courage,' but there were other real equity prospects

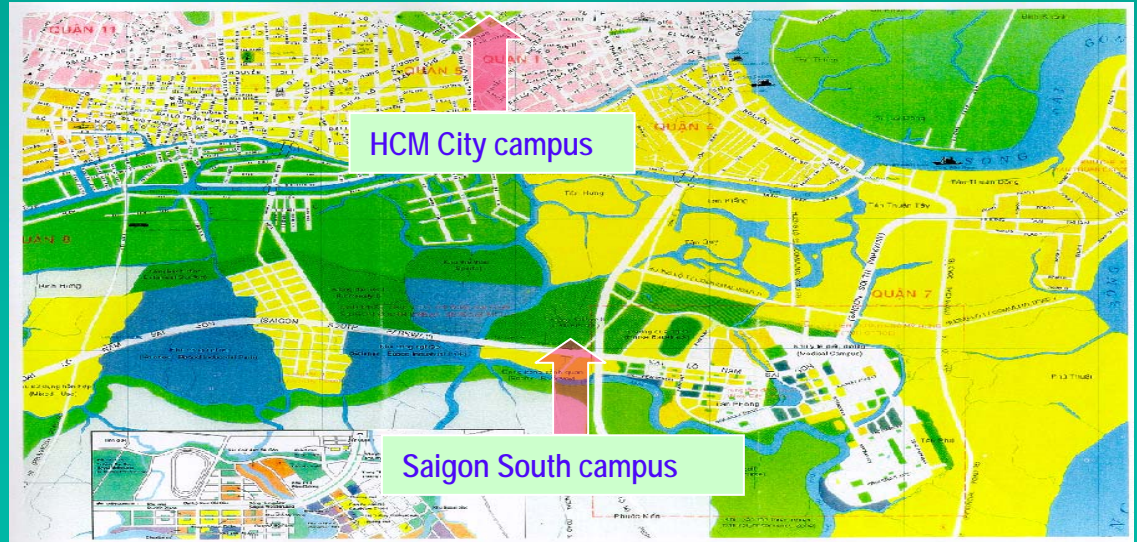


First educational deal

- RMIT Vietnam curriculum to be **same as Melbourne** (learning from Penang experience)
- RMIT **Australia accredits** the programs offshore
- Ambitious **program roll-out** intended, about 7 new degree programs pa, also training, R&D
- Ministry Education and Training *cedes* control of **curriculum, targets and fees** but *retains* annual **QA review** to assure comparable standards
- Very **small service fee** from parent as RMIT products were to be 'on the shelf' already; careful service agreements between RMIT to RMIT Vietnam, lenders suspicious of royalties
- **Advanced ICT platform** intended, all programs to be fully-distributed
- **Moderated on-line delivery** to be dominant mode
- Project itself intended as **action-research testbed**

First greenfields campus deal

- **Saigon South** Development Area chosen: infrastructure, land designated as university, new development authority
- **50 year licence; 57 ha**
- **Changed site** twice, HCMC efficient
- But Australian **state approvals** to borrow delayed 1 yr
- Had to meet **IFC and ADB requirements** esp re resettlement
- **RAP compensation costs** escalated dramatically, RMIT **downsized** project to stage 1 only to reduce risk



RMIT Vietnam HCM City Campus and Saigon South Campus Locations



One of the Several Campus Plans



RMIT Vietnam Saigon South Construction

Lessons from first stage of RMIT Vietnam

- **Strong market** in emerging economies for tertiary education but to be created
- For **public universities** to invest in private education campuses they need an **appetite for risk**
- Keep **exit strategies** by quarter, updated
- This model **can be replicated** as campus-building grows along the trade-investment cycle
- **Keep it simple** – eg don't clutter holding company with operations or complicated tax-driven transactions
- **Simplify finance** eg probably best from one not both IFC and ADB
- **Fully foreign-owned trumps JV**
- **Scale up from small** not down from big if you can hold interest in project
- **Parent relations** critical – subsidiary too easily forgotten; allow new upstart to link with other providers
- Establish explicit **knowledge management** including good document management
- Be willing to have a series of **successions** and do them quickly
- **Government relations** are critical especially where unclear regulatory framework
- Don't forget **home-country** government relations too

Now for “Managing the Start Up University” ...

- 3 July 2002, new President Michael Mann starts...