
“Getting an edge in international business: Currency impacts on course prices, foreign exchange transactions and projects or even foreign campuses”.

Presented by Ernest Glad
Cortell Australia

“We live in a global village where everything is becoming “more of the same” everywhere, yet *exchange rates* have not and will not soon reach a point of neutrality.

It will remain a serious factor to consider in our plans for the future”

Universities are not excluded from the implications of short and long term foreign exchange (forex) movements

This paper will show

- How universities can evaluate the impacts of forex movements using scenario planning and dynamic modeling.
- It will also show the importance of currency based costing of courses, projects, purchases in order to evaluate risk and plan mitigating strategies.
- This planning and costing methodology will assist in evaluating alternative hedging strategies.

Chart: AUD / USD | Updated: 14/7/2006



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Chart: AUD / SGD | Updated: 14/7/2006



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Volatility of rates (10 years)

	Statistic	Currency	Rate	% CH
US\$ CA\$	Low	12/06/2006	1.0990	100
	Average	10 Year	1.4098	128
	High	8/01/2002	1.6132	147
AUD- CA\$	Low	02/04/2001	0.7609	100
	Average	10 Year	0.9260	122
	High	02/12/1996	1.1055	145
Sing \$- CA\$	Low	12/12/2005	0.6849	100
	Average	10 Year	0.8499	124
	High	19/02/1996	0.9943	145



We live in a volatile financial world where world currencies may show dramatic shifts often catching organizations unaware of the consequences or impacts of these movements.

International Students are Big Business

- **% of Service Exports**
 - 13% and 8% respectively of Australia and NZ's in Yr 2003
 - 4.2% and 3.2%* respectively of US and UK's
- Australian universities have captured 10 percent of the world market for students seeking an English-language education, gaining ground on their rivals in the United States and Britain.

- Sources: Australian Dept of Trade, VTA Conference, Melbourne, Australia, 21 April, 2005; IDP Education Australia; AIEA Fact Sheet & NCVET Australia 2005

International student preferences and destinations are changing

Australia (on the rise)

- Total International Students at all levels rose from 133,000 in 1999 - to 332,000 in 2005 —more than 50% increase over 2 years—only OECD country to increase (+6%) in 2005— 210,000 are tertiary
- Predicting 560,000 foreign students by 2025 – double this number again in distance programs
- 30% of foreign enrollments in Aust. universities were distance
- 40% of foreign tertiary students in 2004 were post graduate

Australia – public / private Internationalization


- Australian offshore programs rose from just 25 in 1991 -to almost 1,600 in 2003 –most of them in Asia
- International students enrolled in Australian University offshore programs in 2003 exceeded 70,000 –more than 85% of these programs were in China, Hong Kong, Singapore & Malaysia
- Over 70% of the partnerships public Australian universities have developed with foreign HEI's-are with private universities and colleges, as well as with a small number of local PTE's.



So Australian Universities has huge
exposure to international business

What exposure do Unis have?

- Foreign students who are/may want to pay in their own currency (competition)
- Foreign purchases
 - Capital equipment
 - Staff
 - Course material/books
 - Software
- Foreign Points of Representation (PoRs)
 - Marketing offices
 - Campuses
 - Off-shore programs
 - Joint ventures with other unis
- Foreign investments
- Off-shore research



Unplanned and unforeseen shifts in currency positions may have devastating effects on cash flows and financial viability of courses, campuses or projects.

Foreign Students

- Projecting student numbers
 - By course
 - By faculty
 - By country of residence
- Projecting forex rates
- Show impacts in model

Project Student numbers 5-10 years ahead

TOTAL EFTS BY SOURCE

	2004	2005	2006	2007	2008
MoE - Funded	11,638	12,279	13,015	13,498	13,860
MoE - Scholarships	601	613	666	687	705
MoE - Total	12,239	12,892	13,682	14,185	14,565
Non-EFTS	472	549	554	554	554
International	3,343	2,813	2,724	2,724	2,724
RGAs	200	189	201	210	212
TOTAL	16,254	16,443	17,160	17,672	18,054

1.16% 4.36% 2.99% 2.16%

Using Dynamic Growth Factors

Growth Factors

	2004	2005	2006	2007	2008
MoE EFTS	0.00%	3.16%	2.38%	3.35%	2.00%
Non-EFTS	0.00%	0.00%	0.00%	0.00%	0.00%
International Students	0.00%	-13.91%	-9.16%	-4.00%	-3.00%
RGAs	0.00%	0.00%	0.00%	0.00%	0.00%
<u>Projected EFTS</u>					
MoE - Funded	3,112	3,211	3,287	3,397	3,465
MoE - Scholarship	120	123	127	132	134
Non-EFTS	6	-	-	-	-
International Students	1,925	1,658	1,506	1,445	1,402
RGAs	9	-	-	-	-
TOTAL	5,172	4,992	4,920	5,035	5,105
% Intl EFTS/Total MOE + Intl EFTS	37.3%	33.2%	30.6%	28.9%	27.5%

Focus on Exchange rates

ENVIRONMENT VARIABLES

	2004	2005	2006	2007	2008
General Inflation Rate	2.70%	2.30%	2.10%	2.10%	2.10%
Property Inflation	2.70%	2.30%	2.10%	2.10%	2.10%
\$US exchange rate	0.600	0.700	0.650	0.600	0.600
Debt Interest Rate	7.00%	7.00%	7.00%	7.00%	7.00%
Investment Interest Rate	5.00%	5.00%	5.00%	5.00%	5.00%

Gives instant views of impacts on cash flows and revenue

PER BUSINESS UNIT/FACULTY

MoE EFTS	5,155	5,536	5,663	5,782	5,904
MoE Research Top-up	-	-	-	-	-
Domestic Student Fees	3,082	3,236	3,398	3,567	3,642
International Student Fees	14,553	14,200	13,253	12,563	11,550
Non-EFTS	8,221	8,411	8,587	8,767	8,952
RGAs	24,212	24,212	24,212	24,212	24,212

Instantly rolled up for the University

<u>TOTAL BUSINESS</u>	2004	2005	2006	2007	2008
Government Bulk Grant	16,663	18,458	19,338	20,405	21,251
<i>Domestic Student Fees</i>	9,961	10,788	11,601	12,589	13,111
Funded	9,591	10,389	11,168	12,119	12,621
Scholarship	370	399	433	470	489
International Student Fees	28,020	24,124	21,915	21,915	21,915
Other external revenue	246				
Internal recoveries	14	14	14	15	15
RGAs (incl Ext Rec)	206				
TOTAL INCOME	55,161	53,384	52,868	54,924	56,291

Same could be done for Foreign expenditure

<u>BUSINESS</u>	2004	2005	2006	2007	2008
Total EFTS	5,172	4,992	4,920	5,035	5,105
EFTS internationally funded for salaries	2,172	2,792	1,920	2,097	3,105
Academic Staff Ratio	20	20	20	20	20
Allied/Academic Staff Ratio	0.20	0.20	0.20	0.20	0.20
Academic Staff FTEs	247	226	223	228	230
Overseas Staff FTEs	49	45	44	45	45
Local Staff-Functional currency	9,156	8,298	7,288	8,677	8,345
Overseas Staff US\$	6,124	5,152	5,853	6,554	5,956
Total Staffing Cost	17,661	16,545	16,627	17,334	17,917

Budgeted Capital Expenditure

Main Menu

Request Capex

Help

Refresh

Remove Capex

School

Faculty

Finance

- Capex could be linked to source countries and also to their respective currencies

Cost Centre	Description	Priority 1	Priority 2	Priority 3	Capex Denied	ITS
BM001	2 x Edit Suites (PMac G5 2.7 Dual, 23" display, 2GB RAM)	-	18,734	-	-	-
BM001	4 x eMac Workstations	15,632	-	-	-	-
BM001	DVCPPro Deck	6,000	-	-	-	-
BM001	2 x Laptop	-	7,000	-	-	-
BM001	Data Projector	-	4,000	-	-	-
BM001	Laptop	-	3,500	-	-	-
BM001	11 c Computer based digital audio workstations - c	33,100	-	-	-	-
BM001	G5 Mac and Software	6,000	-	-	-	-
BM001	eMac	4,350	-	-	-	-
BM001	Mac G4 Powerbook	3,968	-	-	-	-
BM001	Workstation desks and chairs	3,620	-	-	-	-
BM001	45 Student Chairs	4,050	-	-	-	-
BM001	Furniture Upgrade	30,344	-	-	-	-
BM001	Studio one lighting/Photography	13,000	-	-	-	-
BM001	P30 Digital camera back	-	20,000	-	-	-
BM001	Aaton 16mm Film Camera Kit	-	50,000	-	-	-
BM001	20 x Drawing Boards/Machines	-	-	60,000	-	-
BM001	11 x Computer digital audio workstations - AV equi	237,750	-	-	-	-
BM001	2 x Computer Digital Audio Workstations S7 & S8	220,666	-	-	-	-

Showing impacts on bottom line

- Cash flows
- Profitability by Faculty/department
- Revenue
- Growth
- Currency exposure



Even impact on
specific programmes and courses



- TM1
 - wintec
 - Cubes
 - Allocations
 - Budget Set Up MOE
 - Budget Set Up Programme
 - Capex
 - Cashflow
 - Cashflow Translation
 - Contracts
 - EFTS
 - Dimensions
 - Scenario
 - Year
 - Month
 - Data Load
 - Degree or Non Degree
 - Funding Categories
 - Enrolment Status
 - Enrolment Type
 - Classification
 - Cost Centre
 - Programme
 - Class
 - Measures EFTS
 - Views
 - EFTS
 - Forecast Parameters
 - Forecast Parameters EFTS
 - GL
 - Payroll
 - Phasing
 - Pricing
 - Dimensions
 - Processes

Dynamic planning models will have all the detail at the RIGHT levels

Full integration between models provide capabilities for "what-if" analysis

University Costing

			Local	International		
Student centric costs:						
	Registration act		\$50	\$50		Drill to detail
	Provide results		\$20	\$20		Drill to detail
	Library support		\$90	\$90		Drill to detail
	Marketing			\$150		Drill to detail
	Other					
	Graduation		\$40	\$60		Drill to detail
Programme costs			\$200	\$250		Drill to detail
Courses/modules						
	Module 1		\$240	\$240		Drill to detail
	Module 2		\$300	\$300		Drill to detail
	Module 3		\$130	\$130		Drill to detail
	Module 4		\$145	\$145		Drill to detail
	Module 5		\$425	\$425		Drill to detail
	Module 6		\$190	\$190		Drill to detail
	Module 7		\$140	\$140		Drill to detail
	Module 8		\$90	\$90		Drill to detail
	Module 9		\$70	\$70		Drill to detail
	Module 10		\$320	\$320		Drill to detail
			\$2,450	\$2,670		Drill to detail
Fees			\$2,000	\$3,000		
Profit/loss			-\$450	\$330		



Some Universities Hedge their risks



Forex Risk Management

Deal Number	Deal Date	Settlement Date	Currency	Contract Type	FX Value	Bank	Contract Rate	NZD Value	Deal Status	MTM Formula
297	05/05/2005	28/02/2006	NZD/AUD	Call	360,000.00	ANZ	0.94500	380,952.38	Active	
298	05/05/2005	28/02/2006	NZD/AUD	Put	300,000.00	ANZ	0.91900	326,441.78	Active	
299	29/10/2004	20/03/2006	NZD/USD	FEC	1,000,000.00	BNZ	0.64830	1,542,495.76	Active	
300	30/03/2005	20/03/2006	NZD/USD	Call	500,000.00	ANZ	0.70000	714,285.71	Active	
301	30/03/2005	20/03/2006	NZD/USD	Put	500,000.00	ANZ	0.62350	801,924.62	Active	
302	24/12/2005	20/03/2006	NZD/AUD	FEC	250,000.00	BNZ	0.92290	270,885.25	Active	
431	31/01/2006	20/03/2006	NZD/AUD	FEC	300,000.00	BNZ	0.90790	330,432.87	Active	
432	31/01/2006	20/03/2006	NZD/JPY	FEC	50,000,000.00	BNZ	79.41000	629,643.62	Active	
304	31/08/2005	31/03/2006	NZD/USD	Call	2,500,000.00	ANZ	0.69000	3,623,188.41	Active	
305	31/08/2005	31/03/2006	NZD/USD	Put	2,000,000.00	ANZ	0.65950	3,032,600.45	Active	
306	31/05/2005	31/03/2006	NZD/AUD	FEC	250,000.00	BNZ	0.92750	269,541.78	Active	
307	13/12/2004	20/04/2006	NZD/USD	FEC	1,000,000.00	BNZ	0.66880	1,495,215.31	Active	
308	30/03/2005	20/04/2006	NZD/USD	Call	500,000.00	ANZ	0.70000	714,285.71	Active	
309	30/03/2005	20/04/2006	NZD/USD	Put	500,000.00	ANZ	0.62350	801,924.62	Active	
312	28/07/2005	20/04/2006	NZD/AUD	Call	250,000.00	ANZ	0.88000	284,090.91	Active	
313	28/04/2005	20/04/2006	NZD/AUD	Put	125,000.00	ANZ	0.88000	142,045.45	Active	
433	31/01/2006	20/04/2006	NZD/JPY	FEC	50,000,000.00	BNZ	78.92000	633,552.97	Active	
434	31/01/2006	20/04/2006	NZD/AUD	FEC	300,000.00	BNZ	0.90650	330,943.19	Active	
310	31/08/2005	28/04/2006	NZD/USD	Call	2,500,000.00	ANZ	0.69000	3,623,188.41	Active	
311	31/08/2005	28/04/2006	NZD/USD	Put	2,000,000.00	ANZ	0.65950	3,032,600.45	Active	

X_De I	Tran Date	FX Amount	Tran Rate	Tran Amount NZD	Spot Rate	Transaction FX Gain / (Loss)	Unreal FX Gain / (Loss) Reported in 03/04	Net FX Gain / (Loss) for 04/05	Bench mark Rate	Net FX Gain / (Loss) v Benchmark	Deal Status	FX_Currency
	<u>AUD</u>											
256	18/11/2005	250,000.00	0.9500	0.00	0.64000	0.00			1.14900	0.00	Inactive	NZD/AUD
390	22/11/2005	300,000.00	0.9127	328,695.08	0.93450	7,667.79				67,655.27	Inactive	NZD/AUD
394	22/11/2005	200,000.00	0.9196	217,485.86	0.93450	3,467.67				43,459.32	Inactive	NZD/AUD
260	30/11/2005	200,000.00	0.9190	0.00	0.00000	0.00				0.00	Inactive	NZD/AUD
396	30/11/2005	250,000.00	0.9154	273,104.65	0.94870	9,586.15				56,020.10	Inactive	NZD/AUD
397	30/11/2005	250,000.00	0.9142	273,463.14	0.94870	9,944.64				56,378.58	Inactive	NZD/AUD
269	20/12/2005	250,000.00	0.9131	0.00	0.00000	0.00				0.00	Inactive	NZD/AUD
410	20/12/2005	200,000.00	0.9196	217,485.86	0.93030	2,501.45			1.16813	46,271.31	Inactive	NZD/AUD
415	20/12/2005	500,000.00	0.9250	540,540.54	0.93030	3,079.51			1.16813	112,504.16	Inactive	NZD/AUD
272	30/12/2005	200,000.00	0.9190	0.00	0.00000	0.00			1.15363	0.00	Inactive	NZD/AUD
423	12/01/2006	200,000.00	0.9199	217,414.94	0.93030	2,430.52			1.14713	43,066.02	Inactive	NZD/AUD
282	20/01/2006	250,000.00	0.9125	0.00	0.00000	0.00			1.16050	0.00	Inactive	NZD/AUD
424	20/01/2006	1,000,000.00	0.9098	1,099,142.67	0.90780	2,421.55	-		1.16050	237,445.12	Inactive	NZD/AUD
286	31/01/2006	200,000.00	0.9190	0.00	0.00000	0.00			1.12863	0.00	Inactive	NZD/AUD

Models could assist in measuring Forex gains/losses and other IAS39 requirements



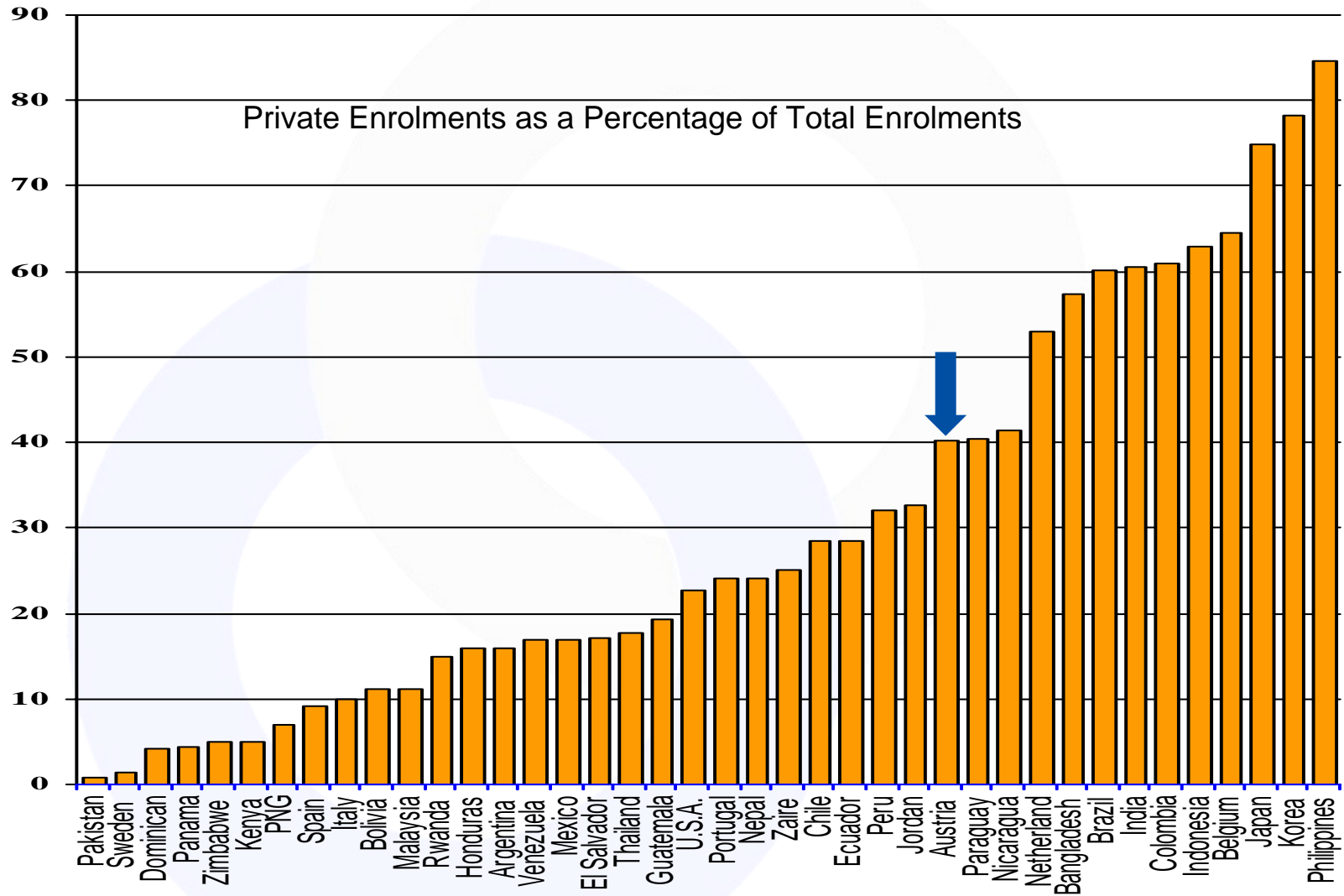
Thank you for your time

Questions

What Applications Do We Deliver?

- Core Business Intelligence Applications
 - Budgeting, Forecasting & Planning
 - Financial, Management Reporting
 - Performance Reporting
 - KPI's / Dashboards
 - Scorecards (Value / Balanced / Other)
 - CPM & BPM solutions
 - Financial Consolidation
 - BEE reporting
 - Business Process Management
- Advanced Business Intelligence Applications
 - Activity-Based Costing
 - Customer/channel Profitability
 - EVAs
 - Allocation Models/Shared Services

Private Tertiary Education



Source: World Bank, 2000