



uk2020

Briefing document

TIMEBOMB

HOW THE UNIVERSITY CARTEL
IS FAILING BRITAIN'S STUDENTS

By Richard Tice and Tariq Al-Humaidhi

Forewords by Sir Anthony Seldon,
Lord Adonis and Owen Paterson MP



Author's preface

Richard Tice

Businessman and political campaigner
CEO Quidnet Capital Partners LLP
Former CEO, CLS Holdings PLC

This report was triggered by the concerns expressed by numerous friends who are parents of university students. Their complaint was simple. Their children are rarely at the university, and when they are there, they are taught for so little time that the whole experience feels like very poor value for the money involved. This was quickly confirmed by their sons and daughters who told a series of troubling anecdotes.

I decided to investigate the truth behind these stories and what I found has shocked me. A powerful university cartel is interwoven with parts of the establishment and cares little about its students, who many academics view as an inconvenience. The universities are just focused on the money. The 2017 general election brought the issue of student costs to the foreground.

The good news is that there are some relatively clear solutions that can improve value for money for students, their parents and the taxpayer. At the same time, our central recommendation, on the expansion of two-year degrees, would make a positive contribution to solving the nation's housing shortage.

I am very grateful to my co-author and recent graduate Tariq Al-Humaidhi for all his efforts, to Sir Anthony Seldon, Lord Adonis and the Rt Hon Owen Paterson MP for their support and to Jack Grimston for his assistance. My thanks also go to numerous others for their advice and encouragement over recent months.

To read the full report, go to www.uk2020.org.uk/timebomb



Foreword

Anthony Seldon
Vice-chancellor,
University of Buckingham

I welcome this report, which is coming out at a telling moment when concerns about value for money have never been higher. The figures clearly demonstrate that as many students in Britain now feel university education is not offering value for money as believe it is.

Clearly tuition fees are one major factor responsible for the malaise in how students view higher education. But it goes beyond that. The world is changing very rapidly, and universities are being slow to respond.

Universities are still run predominantly by academics and administrators for academics and administrators. The producer interest reigns. The voice of the consumer, in other words the student, has not been taken greatly into consideration. Yet the world of work is already changing out of all recognition with the advance of digitalisation and globalisation. The traditional model of three years at university, with wide open spaces of time when academics are writing and students are left to their own devices, is becoming a relic of the past. My own institution, Buckingham, Britain's first private university, pioneered two-year degree courses 40 years ago. Their time has now come. Two-year degrees fit the same number of teaching weeks into the undergraduate's time as three-year degrees do. The pace is more intense, much more like the workplace. I'm delighted that this report is calling for more two-year degrees, not least because this change will enhance the international appeal of British universities to students from abroad.

Universities need to put students first to a far greater extent. The Teaching Excellence Framework (TEF), introduced in June 2017, has begun to redress the balance, which had tilted much too far towards research. I am pleased that my own university came first in the country in the TEF ratings, but I recognise that we, like universities everywhere, need to do far more to improve the quality of our teaching and learning if we are to fully stretch, inspire and challenge our students. Universities used to think that academics could teach if they were

good at research. This was a very naïve assumption, but it ruled for many years. Good teachers are constantly striving to improve their performance. Universities need also to look after their students much better pastorally. The crisis in mental health in higher education is shocking and much of it is avoidable if only universities acted with a greater sense of responsibility towards their students.

Change is in the air. Good teaching and good pastoral care are the natural adjuncts of a two-year degree. In ten years' time, I would predict that only 50% of degrees will be the traditional three-year model. Two-year degrees will grow significantly in numbers, but so too will part-time degrees, distance learning and four-year courses. The student can only benefit from this much wider variety on offer. This report does an excellent service in channelling the debate on higher education towards the contemporary structure and its antiquated provision. It will play an important part in shaping our thinking over the next few years.



Foreword

Andrew Adonis

Chair, National Infrastructure Commission
Secretary of state for transport, 2009–10
Minister of state for education, 2005–08



Owen Paterson MP

Founder and chairman, UK 2020
Secretary of state for environment,
food and rural affairs, 2012–14
Secretary of state for Northern Ireland, 2010–12

It is not often that politicians from such different parts of the spectrum come together on a major question of such national importance. But we are united in our desire to find a solution to the crisis in how students and universities are funded. Both our parties played a role in shaping the current system and we believe a cross-party approach is needed to fix its problems. These have been bubbling for years, more recently they have risen back up the political agenda and they burst into the open in the 2017 general election.

It is often the case in politics that the law of unintended consequences can scupper well intentioned plans. The original concept of tuition fees, set at a reasonable level, with graduates and the government co-funding teaching to put universities on a more independent financial footing, was the right one. It has helped to increase substantially the proportion of young people who go on to higher education, particularly the number of those from less well-off backgrounds. In return, universities were supposed to deliver better teaching, innovate, and compete in a fast-moving world.

This report shows that while the universities persuaded government to raise fees substantially, they acted like a cartel to block the progress we all hoped for. There is virtually no variation in the pricing of degrees nor innovation in the model of how they are delivered. Powerful university lobbying has prevented, slowed or watered down government attempts at change. For universities, growing the quantity of students and the money they get from them appear

to be the key objectives – at the expense of quality. The report clearly shows, backed up with extensive direct evidence from current undergraduates, that value for money for them, their parents and the taxpayer has suffered. It sets this in the context of the global competitive threat to the long-running success of British higher education, which is one of our great national exports.

Financial worries should not put young people off going to university, but we are concerned that fewer of them will want to do so unless urgent steps are taken to address the levels of debt they are incurring. Under the current system, more and more students will fail to repay and the taxpayer will suffer a growing, unsustainable cost as loans are forecast to rise to £1 trillion in cash terms over the next 30 years.

Many of the report's recommendations, centred on more two-year degrees, and higher standards of university transparency and teaching quality, provide real, practical solutions to these challenges. It proves there is real student appetite for reform. It also shows how one spin-off benefit would be to free up tens of thousands of much-needed homes in major cities. Two-year degrees, which some universities have already shown can be taught within the current annual fee cap, would transform value for money for students and reduce the demands on the taxpayer. They would not threaten universities, but provide a real opportunity for innovation and international growth, helping British exports.

It is high time for universities to meet the challenge of reform that is laid out in such clear terms in this report so that they improve the quality of education they provide young people and deliver much better value both for students and for the whole country.

Timebomb

When tuition fees nearly trebled from £3,375 to £9,000 in 2012, students were promised by ministers that in return for running up tens of thousands of pounds in debts, the reforms would turn them into powerful consumers. They would be presented with a wide choice of prices, new types of degree and new institutions offering them. Their pressure would drive universities to improve teaching.

But the reforms failed to deliver because universities act as a cartel, virtually all charging the same, stifling new competition and slowing reform. They have been helped by flaws in the design of the funding system, weak politicians and the protection of a 200-strong lobby of members of the House of Lords who have ties to universities. They have betrayed a generation of undergraduates and endangered the international standing of British higher education, which is one of our greatest national assets, a key instrument of soft power and the source of nearly £11bn a year in export earnings.

Mounting student anger at the level of fees, debts and interest rates and the failings of universities now amounts to a timebomb beneath the system. The apparently runaway popularity of Labour's promise to abolish fees in the 2017 general election shows the risk of this timebomb going off as application numbers begin to fall.

This report examines what has gone wrong and proposes measures to fix the system, centred on the rapid expansion of two-year degrees to reduce debts and improve value for money, choice and teaching standards. In addition to students and their parents, taxpayers will benefit because they will have to advance less in loans, which graduates will then start repaying a year earlier. Meanwhile, tens of thousands of student flats and houses would be freed up for other users in major UK cities.

Nearly 50% of students surveyed by YouGov for Timebomb said they would have been interested or very interested in exploring the two-year option if it had been available when they were applying for university. Widening choice with this reform has the potential to create a better educational product and growth for universities and to increase export earnings for the UK as more international students take advantage of high-quality two-year degrees.

A second report to be released in the coming weeks will explore in detail the financial options for reforming the tuition fee system to resolve the student funding crisis.

At the heart of this report is a belief in the power of choice and competition to improve quality and give students a fairer deal.

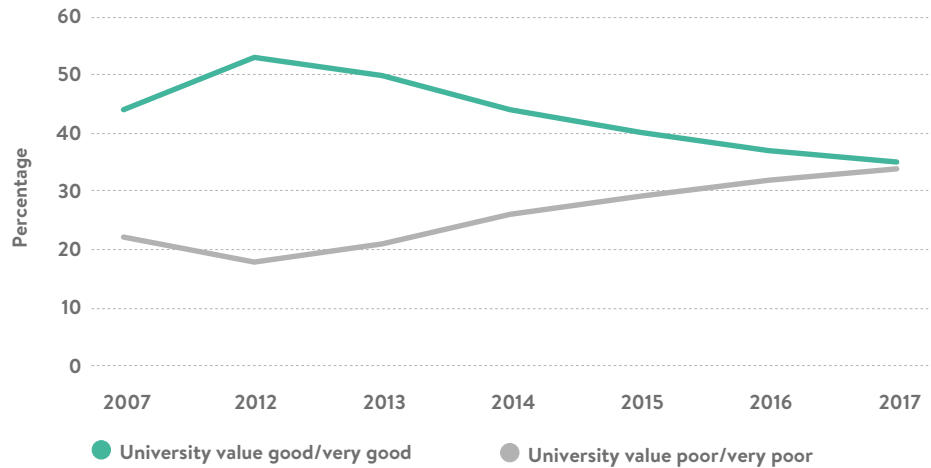
Chapter 1 shows just how comprehensively universities and politicians have broken their side of the bargain.

I have 20 weeks of lectures a year and 2 weeks of exams. So I spend less than half the year at university.

STUDENT FROM
A RUSSELL GROUP
UNIVERSITY
(BUSINESS)

Teaching quality has stagnated at best and in many cases got worse. As a result, student perception of the value for money of university education has collapsed since 2012.

Student views on value for money over time, UK



Source: Higher Education Policy Institute, 2017 Student Academic Experience Survey

Chapter 1 also draws on thousands of comments provided by students for the report. Many complain of poor-quality lectures in crowded theatres, badly organised courses and staff who are clearly more interested in research than teaching. Irritation at lecturers who do little but read off PowerPoint slides is one of the most frequent criticisms. Those at the most prestigious institutions often comment that their university relies more on its reputation than the quality of its actual teaching.

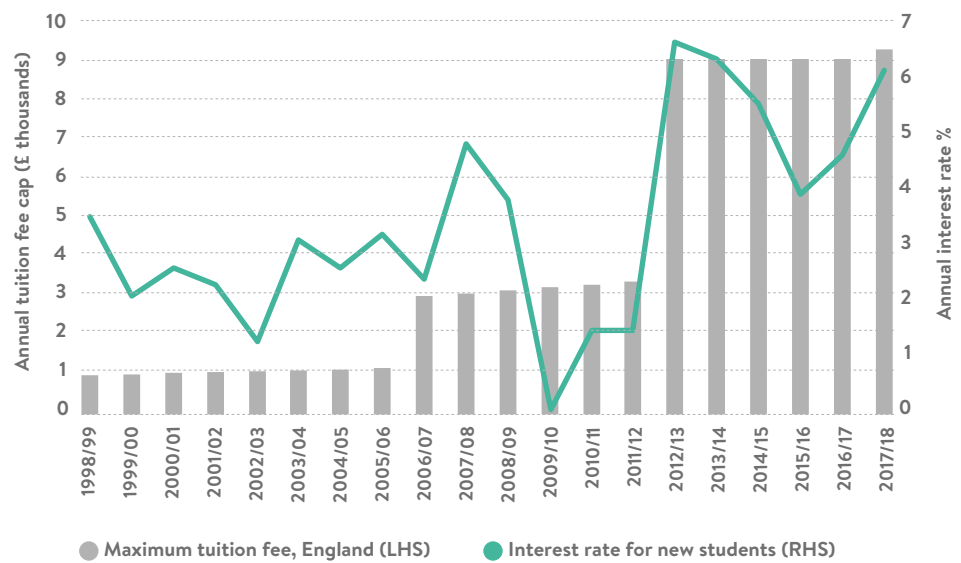
Students criticise lack of teaching time even more than lack of quality. The so-called full-time degree is nothing of the sort. On average, students surveyed for Timebomb receive just 11 hours' teaching contact time per week – far less in arts and humanities subjects. The British academic year typically includes only 23 weeks of teaching.

The full range of the students' comments can be read in Appendix 1.

The first year is extremely basic and feels like a step backwards.

STUDENT FROM
A RUSSELL GROUP
UNIVERSITY
(SOCIAL STUDIES)

How the costs have gone up



Source: authors' research

The first year was completely pointless. I didn't learn a thing.

STUDENT FROM
A POST-1992 UNIVERSITY
(OTHER SUBJECT)

One reason for poor teaching is that universities have made it a far lower priority than research, partly because of skewed incentives in the funding system. The new Teaching Excellence Framework (TEF), which includes official ratings of quality, will attach financial incentives to good teaching. The incentives are small and will not be introduced until at least 2020, but they are at least a start.

The poor performance of many of the most prestigious universities in the first TEF ratings, published in 2017, together with Britain's worsening position in international league tables, are warning signs that something is seriously amiss.

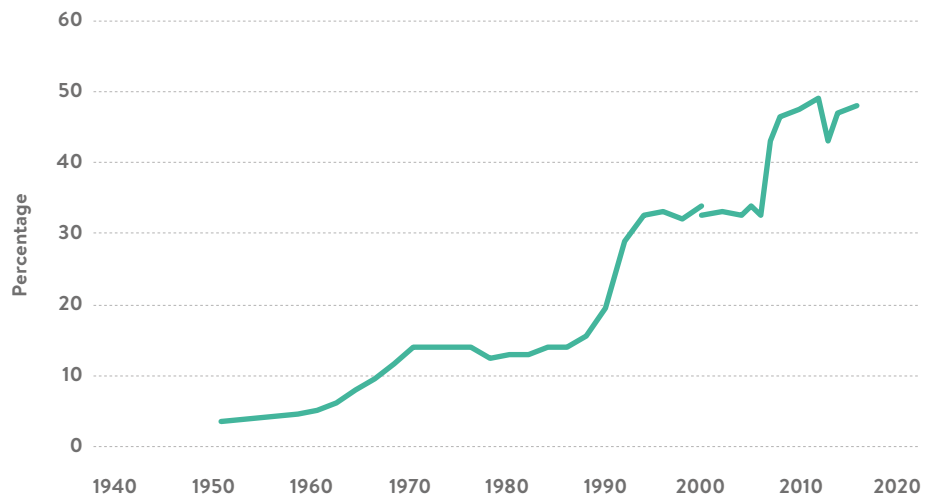
Recommendations in chapter 1 include:

- Empowering student consumers. Universities should give specific commitments about teaching, including how many hours students will receive each week, broken down into lectures, seminars, practicals, tutorials, online and other methods. This should include details of how many hours will be taught by academic staff and how many by postgraduate students or others.
- More teaching should be conducted in small groups. Scrapping many lectures could be a good trade-off.
- If universities fail to improve standards, the government should upgrade regulators' powers to fine institutions and intervene directly on campuses to fix poor-quality teaching.
- When the government and regulators are pushing through improvements to teaching and other reforms they should resist pressure to give into the powerful university lobby as they have in the past.

Chapter 2 explores the financial aspects of whether a degree is worth it – for students, for the taxpayer and universities themselves.

Higher education has expanded massively in recent decades – 48% of those aged 17–30 have some experience of university. For women, the figure is 53%. There are more undergraduates at university than there were school pupils who achieved five GCSEs at grade C or above in 2000.

Participation rates in higher education in the UK, 1950–2016*



*The participation rate is the percentage of 17–30 year-olds who have participated in higher education for at least six months. Before 2000, when there is a break in the data series, the definition used was the percentage of young people entering full-time higher education aged under 21.

Source: BIS, Office for National Statistics

The current funding system has led to far higher fees and debts and has brought successive hikes in interest rates.

Students borrowing in 2017 can expect to graduate with debts averaging £50,000, compared with less than £30,000 for those studying under the pre-2012 system. This will include an average of £5,800 of accumulated interest before their first job. Students from low-income families will graduate with an average debt of £57,000. Interest rates on loans for students rose to 6.1% in 2017, above the rate for many unsecured bank loans. Graduates will be repaying into their 50s, with many paying back well over £100,000, though only 22.6% are expected ever to earn enough to clear their debts in full.

The Institute for Fiscal Studies has said English students are now the most indebted in the world.

We finish lectures
for the year in
MARCH.

STUDENT FROM
A RUSSELL GROUP
UNIVERSITY
(SOCIAL STUDIES)

INTERNATIONAL DEBT COMPARISON

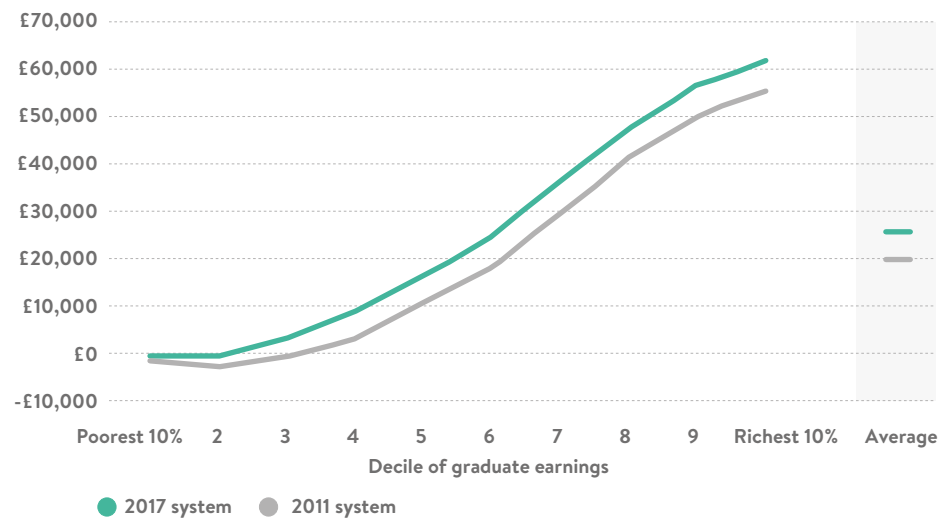
UK	£50,000
New Zealand	£27,100
USA Private for-profit	£24,800
Australia	£22,900
USA Public, private non-profit	£22,500
Canada	£16,300

Source: IFS for UK figure, otherwise Sutton Trust, Degrees of Debt report, 2016

However, the system has important advantages for students that must not be lost in any reform. No student has to pay fees up front, so those from low-income families need not be put off applying by tuition costs alone. Monthly repayments for graduates are lower than under the old system.

What graduates will repay

Average lifetime repayments by decile of graduate lifetime earnings for 2017/18 graduates relative to 2011 system (2017 prices)



Source: IFS, Higher education funding in England: past, present and options for the future, 2017

The financial return on a degree is coming under increasing scrutiny. Recent research shows many people have been badly misled about the value of their education for future careers – the so-called graduate premium. For most, a degree remains a passport to a better job and a higher income, but only if they choose the right course. Many degrees fail to deliver substantial returns and in many cases bring no salary benefit at all, particularly when student loan repayments are factored in.

First term I only had uni 3 days a week and on one of the days it was literally a 1-hour seminar.

STUDENT FROM
A POST-1992 UNIVERSITY
(SOCIAL STUDIES)

Total student debt is expected to reach £1 trillion in cash terms by the 2040s, around 9% of net national debt. The taxpayer will pick up the bill for unpaid student debts with universities bearing none of the risk, even if they have over-priced their degrees.

Perhaps 45% of all debt will have to be cancelled, maybe much more. At the moment only 15% net is being provided for by way of impairment each year, according to the Department for Education annual accounts for 2016/17, although they state that the figure is 28%. This is because they capitalise the student interest as income received in the year, when it has not been; it has merely been added to the total outstanding.

Noone knows the real amount that will have to be cancelled, but student debt has the potential to turn into a kind of Ponzi scheme when the scale of the write-offs has to be addressed in decades to come. The Treasury has deliberately turned it into a problem for future generations, making provision for unpaid debts using a complex and opaque mechanism called the RAB charge, which does not account for the cost in annual government spending figures, but hides it in the national balance sheet.

The principle behind the system is a sound one – that those who have benefited financially from university education should pay back. But flaws in the design have pushed undergraduates and universities towards the standard three-year degree, priced identically, delivering a poor deal to students, graduates and the taxpayer.

Universities themselves have benefited hugely. As fees replaced government teaching grants, institutions were sheltered from public-sector austerity. Between 2011/12 and 2015/16, universities' net income went up from £27.4bn to £34.7bn. Each student brings them 25% more money than before the 2012 reforms.

The biggest personal winners in the current system have been university vice-chancellors, whose pay packets now average £278,000, including pensions and bonuses, nearly double what the prime minister receives. Even those at poorly performing institutions are seeing substantial pay rises.

The boom times may now be coming to an end. Applications by June 2017 had fallen by 4% compared with a year earlier. The decline has taken place mostly among older students, with interest among 18-year-olds remaining strong. However, 2017 should be taken as a flashing warning sign – and many institutions low down the league tables are seeing substantial falls in applications. This reflects increasing stratification, with those at the top continuing to prosper while the weaker ones see their student numbers and incomes fall.

Competition is set to intensify further as the pool of recruits in the traditional university market shrinks. The number of 18-year-olds in England is forecast to fall to a low point in 2020 of just under 600,000, compared with more than 700,000 in 2009.

Teaching staff don't really seem to care about us at all – some give adequate feedback on work but most act like additional support or questions (or a decent amount of feedback) is an inconvenience.

STUDENT FROM A RUSSELL GROUP UNIVERSITY (ENGINEERING)

They drag simple stuff out unnecessarily just to fill the time. And we only attend 12 hours a week!

STUDENT FROM A POST-1992 UNIVERSITY (MATHS AND COMPUTER SCIENCE)

Recommendations in chapter 2 include:

- Universities should ensure full financial information for individual courses can be found with a single click. This should always include estimates for how much money students will need to find to cover shortfalls in maintenance loans.
- Universities should clearly provide details of average earnings and employment rates for individual subjects at their institutions so applicants can make informed choices about value for money in the jobs market.
- Financial data for applicants should include forecast debts on graduation including interest as well as estimates for how debt is likely to fall or increase under different income and interest-rate scenarios.

Chapter 3 of the report explores Britain's place in the international student market, vital not just to the future of UK universities, but to the country's influence in the world. The worldwide international student market, expanding at 6% a year, and the growth in competition from around the world present threats, opportunities and lessons for the UK.

Universities and colleges across the UK educate 438,000 overseas students, including 238,000 undergraduates. Their fees provide 13% of university income. The world reputation of British higher education and its market share are surpassed only by the US. In one major ranking, there are three UK institutions in the top 10. The highest-placed non-British university in the EU comes 28th.

But apart from the very top institutions, the UK is slipping down the rankings. Go-ahead universities in Europe, Australia and Canada as well as the explosive growth of higher education in Asia, particularly China, are all threatening the UK's position.

Share of worldwide market for international students, 2017



Source: ICEF Monitor, Measuring Up: Global Market Share, 2017

Staff seem irritated by students asking too many questions.

STUDENT FROM
A POST-1992 UNIVERSITY
(SUBJECTS ALLIED
TO MEDICINE)

The number of international students coming to Britain has grown by 70% since 2003, but is now starting to edge downwards, with first-year post-graduates and undergraduates combined falling by 5,000 between 2013/14 and 2015/16. It is vital universities are not complacent about their historically strong performance and they should beware of treating overseas students as cash cows. Only 37% of non-EU undergraduates in a recent report believed they were receiving good or very good value in the UK. They face fees that can be double or more what their UK classmates are charged. These students have more and more options to choose from around the world and are increasingly discerning. Universities will have to concentrate on adding value to attract recruits rather than relying too heavily on the inherited reputation of British education. Courses delivered in bulk that are cheap to teach, particularly when they charge high fees, are likely to become less and less attractive to international students.

Those long-term trends are likely to have more impact on the numbers of students who come to the UK than short-term factors such as immigration policy, the exchange rate and Brexit.

Other countries are becoming increasingly attractive not just for international students, but also for British undergraduates. The US provides unrivalled choice, quality and flexibility. Europe offers a growing number of high-quality degrees taught in English that are often free for EU citizens and extremely cheap for everyone else compared with costs in the UK or US.

Recommendations in chapter 3 include:

- Slashing excessive fees charged to international students. On many courses, they should not be expected to pay any more than their British classmates.
- The UK should guarantee the right of EU citizens to study here after Brexit with the same entitlement to fees at UK rates. Brussels should be challenged to offer continued full rights to British students.
- Loans should be made available to UK students to attend overseas universities to give them real consumer power and the opportunity to choose from the best in the world. This would also add to the competitive pressure on British universities to improve.
- The expansion of high-quality two-year degrees would provide a valuable selling point for British universities in the international market for those looking for better value, those who see long summer breaks as wasted time and those older students who want to resume their careers quickly.

In chapter 4, Timebomb discusses how universities have maintained their cartel to the detriment of student choice. It explores the potential of new competition to prise open this closed shop. Higher education has no more right than

any other sector to be cossetted from the effects of competition and the benefits it can bring consumers.

Whenever the tuition fee cap has been raised, universities have always jumped simultaneously to the maximum, with only a handful of exceptions for individual courses. They did so most recently when the cap for 2017 went up from £9,000 to £9,250.

Their cartel behaviour goes beyond setting identical fees. Until the 2017 legislation, any new education provider wanting to apply for degree-awarding powers first had to have its qualifications validated by an existing university. The government and the Competition and Markets Authority have warned that existing universities use this power to keep out competitors and stifle innovation in teaching.

Jo Johnson, the universities minister, said when promoting the 2017 act that one goal was to “stop existing universities from acting like bouncers, deciding who should and should not be let into the club, and break open a closed shop that for too long has set the rules of the game in its own interests.”

After the toxic political fighting over tuition fees in 2010, politicians shied away from fully opening up higher education, despite promising to do so. However, there have been a few valuable reforms. The most significant was scrapping the system of Whitehall allocating quotas of places around universities, which are now free to recruit as many students as they can attract. As a result, institutions in the elite Russell Group expanded their numbers of full-time teenage entrants by 15% from 2011 to 2015, although they lowered their entry standards to do so. By contrast, many less prestigious universities shrank by more than 20%.

Despite extensive discrimination against new private colleges and universities, for example in the awarding of research grants, hundreds have emerged. Many are teaching to standards as high or higher than any in the publicly funded system. They largely target people seeking degree-level business qualifications, often mature students, but are now broadening out.

A handful of niche providers have begun to emerge to challenge the more academic end of the university system. They include two new institutions focused on engineering, one being set up by the entrepreneur Sir James Dyson. The other, opening in Hereford in 2018, will teach undergraduate degrees intensively over two years, with 46 weeks of teaching annually.

The 2017 legislation takes many of the right steps to encourage competition and remove discrimination. For example, private providers will be able to award their own degrees without being policed by existing universities. But there is plenty of ground to catch up. Shying away from completing the consumer revolution was unfair on the students and taxpayers who have to shoulder the costs.

Lack of involvement of a personal tutor and inconsistent presence of personal tutor throughout my degree. Lack of engagement from both departments involved in delivering my joint degree.

STUDENT FROM A RUSSELL GROUP UNIVERSITY (SOCIAL STUDIES)

It's a lot of money for some PowerPoint slides which is essentially what some teachers do. But I suppose you're paying for the degree not the actual teaching.

STUDENT FROM
A NON-RUSSELL GROUP
PRE-1992 UNIVERSITY

Recommendations in chapter 4 include:

- Remaining discrimination and anomalies left intact by the 2017 act need to be removed to level the playing field for new competitors, for example in the way government research funding is allocated and in the limits on numbers of students at private institutions who can receive state loans.
- The new regulation system must be sufficiently tough to ensure high quality and public confidence, but free of artificial obstacles to competition put up by vested interests.

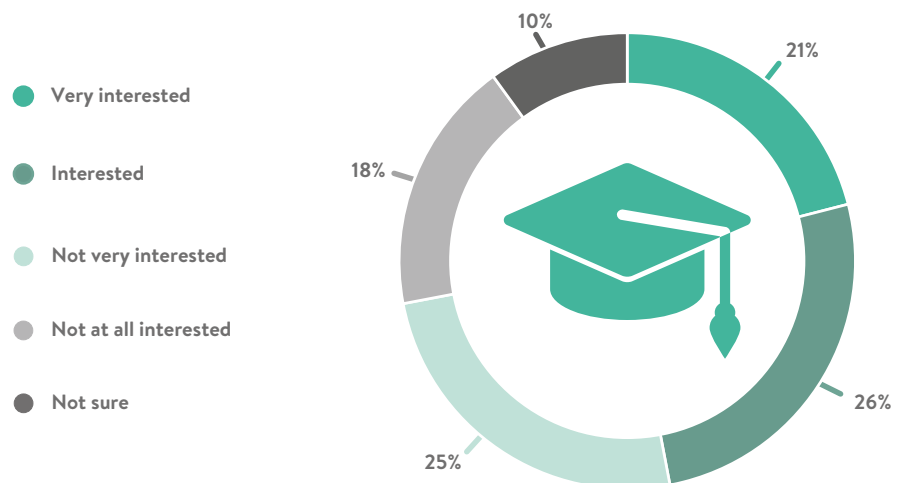
Students need not just a wider range of institutions to choose from, but more options in how to study for their degree.

Chapter 5 explores the untapped potential of two-year degrees. Many courses could be taught comfortably in two years rather than the conventional three – or in three years where the traditional length is four, as is the case for many language courses and for degrees in Scotland.

But in recent years choice has narrowed. The proportion of students in England on conventional three-year, full-time degrees grew from 65% in 2010/11 to 78% in 2014/15.

Many degree subjects require the current three years or longer for students to learn effectively, but many, particularly in the arts and humanities and in professional subjects, do not. The YouGov poll for this report uncovered strong potential demand. The 47% of students who would have been interested in an accelerated option rises to more than 50% after excluding those who were not sure.

Interest in two-year degrees*



*Students were asked: "If you had been provided with the option to complete a standard three-year undergraduate course in two years, how interested would you have been in studying a two-year course?"

Source: YouGov

Some lectures
I feel teach
common sense
rather than actual
knowledge, some
lecturers just read
off of PowerPoints
rather than deliver
a lecture.

STUDENT FROM
A POST-1992 UNIVERSITY
(SUBJECTS ALLIED TO
MEDICINE)

These students see the potential of accelerated degrees to improve value for money. The most motivated are often frustrated by the wasted time and excessively long holidays in the academic year. They want to reduce debts by studying for a year less and spend money more efficiently. Currently, they have to rent accommodation for between 40 and 51 weeks, wasting thousands on rooms that lie empty for much of the year. Many of them want to get on with starting their careers and for older students two-year degrees would allow them to get back to work more quickly.

A handful of public universities and a larger number of private institutions already offer two-year courses. Salford advertises savings of £17,200 for degrees taken in two years rather than three. The private Buckingham University, which pioneered two-year degrees in the UK and which teaches in small class sizes, is consistently at the top of student satisfaction and teaching rankings.

It is welcome that the government plans to promote accelerated degrees as part of loosening up a rigid system. But the policy will have to be promoted heavily if students are to reap the full benefits and university foot-dragging is to be overcome. The new fee cap for accelerated courses should be low enough to create real savings for students over the longer degree.

Recommendations in chapter 5 include:

- Two-year degrees should be fully accepted and promoted as a mainstream, lower-cost alternative to the three-year option – or three years in the case of courses that are currently four.
- This will require a dedicated campaign similar to that for apprenticeships so students, parents, employers and schools as well as universities recognise their value. They should have their own listings section on the UCAS website.
- The new Office for Students (OfS) will have to monitor universities closely to ensure they do not cut corners when shortening degrees.
- Fees for the two-year courses should be low enough that they cost students substantially less than the equivalent three-year option.
- New employment practices in universities will be required so academics combine teaching and research in the summer as well as in the rest of the year.

The final chapter of the report examines the expense of housing. Shorter degrees would not only allow students to save a year of rent and living costs, but could free up badly needed housing for the wider community.

More than six in 10 of those questioned by YouGov said they spent eight months a year or less in the university accommodation they had paid for, largely because of the light teaching load on their courses.

Have few contact hours, and feel like I am not gaining enough skills to make me employable.

STUDENT FROM A RUSSELL GROUP UNIVERSITY (LANGUAGES)

The wasted money this represents is growing rapidly. The angry debate over fees has largely obscured how for many students living costs are the greater day-to-day challenge. From 2012/13 to 2015/16, average weekly rent in a hall of residence rose 18.4%, but the means-tested state maintenance loan increased by just 4.3%. If a student in London comes from a family with an income of over £35,000, the loan does not even cover the rent, let alone other living costs. The capital is now the world's most expensive city for a student to live in, just ahead of New York.

As British higher education has expanded, private investors have moved into the market to build high-specification new halls of residence. Student bedrooms in a privately run hall of residence in London now trade for an average of £207,000, only £10,500 less than the average cost of a UK home in March 2017.

In the long term, the scale of investment will help fill the shortage of student accommodation, but in the short term it has helped push up rents.

If 20% of students switched to accelerated degrees, this would free up an estimated 52,500 rooms across the UK. If the figure was 40%, more than 105,000 rooms would be freed up, equivalent to 61% of the annual supply of new-build homes.

How switching to two-year degrees would help the housing shortage

PROPORTION OF STUDENTS SWITCHING TO ACCELERATED DEGREE*	ESTIMATED ROOMS PER YEAR FREED UP, ALL UK**	ROOMS FREED AS % OF UK ANNUAL NEW-BUILD HOMES***	VALUE OF ACCOMMODATION FREED UP****
20%	52,500	30.4%	£4.25bn
30%	78,750	45.6%	£6.38bn
40%	105,000	60.8%	£8.51bn
50%	131,250	76.0%	£10.64bn

*In Scotland, four years to three; in rest of UK, three years to two and four years to three.

**Methodology for calculating room numbers as follows: (Number of full-time undergraduates throughout UK) x (% studying conventional-length degrees) x (% living away from home in university halls of residence, private halls or other rental accommodation). Figures given to nearest 500. Source: HESA data supplied for this report.

***172,740 new dwellings completed in UK, 2015/16. Source: DCLG, Permanent dwellings started, 2017, www.gov.uk/government/statistical-data-sets/live-tables-on-house-building

****Based on UK average value of bed in university and private halls of residence, 2017, of £81,000.

Conclusion

The central criticism of Timebomb is that students are being handed ever-higher bills for their education, but have not reaped the promised educational benefits in return, so the value for money they receive is falling. The established producers have been allowed to stave off change and as a result young people are heavily indebted, short-changed and increasingly unhappy.

The government is deferring and hiding a mounting, unknown debt liability for future taxpayers so it can improve the deficit in the short-term.

There is an opportunity to introduce reforms to improve value for money, centred on two-year degrees, which would be in strong demand. They would simultaneously cut debts, improve student satisfaction and release much-needed housing.

