

Royal Bank pulls out of student loans

By MELISSA DOUCETTE

The Royal Bank is no longer providing provincial student loans (PSL) to Prince Edward Island and New Brunswick.

Also, the Royal Bank is the only financial institution that handles student loans in Nova Scotia. This agreement was up for renegotiation in December 1998, but has only been extended for another six months.

The Royal Bank is the top lender for Canadian Student Loans, and the second biggest provider of student loans in PEI. Speculation has it that the Royal Bank will not renew their contract with the Federal government in the year 2000.

Sean Kirby, Royal spokesperson, declined to discuss specific reasons for

not renewing the student loan contract in PEI, saying only that the PEI government did not accept the Royal's offer. According to Kirby, it was a "competitive bidding process."

But the provincial government has a different view on the process.

"It was certainly not a tendering process," commented Dave MacPherson, PEI Manager of Student Finances.

Negotiations between all PEI student loan lenders occurred in December. Agreements between the CIBC, the Credit Union, and the Royal Bank were up for renewal at this time.

With the previous agreement, each lender was paid a five percent risk premium by the government. This figure is based on five percent of the money loaned to students by each institution.

After it became apparent that the Royal would no longer be a lender for PSL's, the PEI government sought another lender. The National Bank was contacted, and a contract was quickly agreed upon. Negotiations were conducted via phone and fax, and no face-to-face meetings were required.

"It gives the students more choices," MacPherson said about having another student loan provider.

In addition, special arrangements have been made for students who had loans with the Royal Bank. To change financial institutions for student loan purposes, students generally need a special transfer. The process can take weeks, or even months, but most of this wait has been eliminated.

Under the new PSL agreement, all

financial institutions in PEI are paid a ten percent risk premium. This increase is blamed on default rates and administrative costs that were higher than expected. Terms of agreement in Nova Scotia

have not been disclosed.

MacPherson indicated that student loans are

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Students are forced to look for alternatives

-photo by Richard Haines

Value-for-Money Audit highlights

Compiled by
MELISSA DOUCETTE

In early 1998, the PEI government launched the controversial value-for-money audit on UPEI. Neither the student union nor the University administration welcomed the audit, whose findings were released in late December, 1998.

The following text is excerpted from the observations and recommendations of the value-for-money audit. The audit is approximately 120 pages, and contains 72 recommendations.

From Overall Comments:
"A value-for-money audit was carried out at the University of Prince Edward Island at the request of the Legislative Assembly. To [the auditor general's]

knowledge this is the first time an audit of this nature has been conducted at a Canadian University."

From the Introduction:
"... Value for money is a generic term for an audit that encompasses economy, efficiency and effectiveness issues in an organization... Under this form of reporting, observations and recommendations are made on the adequacy of management systems and practices relative to the economical, efficient, and effective administration of financial and human resources. We also consider whether the public and the Members of the Legislative Assembly are being provided with accountability information..."

From Governance:

1.3 "... To believe that the corporate model could be adapted to the University

environment oversimplifies why the University exists and how it should be run. The realities confronting the University do not lend themselves to a corporate decision-making model..."

From Senate:

1.23 "... there still does not exist a documented ranking of priorities for academic programs at the University. This would serve as a reference point for discussion on reductions and changes to academic programs required due to resource restrictions. In spite of the difficulties associated with setting academic priorities, this should be done to ensure programs and courses offered are congruent with its mandate and can be provided within the budget available."

Recommendation 1.40:
The Senate should identify

the academic priorities for the University. This identification should be clear enough to serve as a basis for discussion on program changes.

From the Role of Government:

1.28: "... During the course of the audit, no one has questioned the degree of freedom enjoyed by the University. In fact, most would argue that institutional autonomy and academic freedom are essential if the University is to meet its mission and mandate as an institution of higher learning under the University Act."

From Accountability:

2.27: "... In my view, an annual report on performance is required for an institution as important as the University is the public of

PEI..."

Recommendation 2.31:
The University's annual report on performance should be referred, after tabling in the Legislative Assembly, to a Committee of the Legislature to provide an opportunity for the University to explain the report, and Members to deliberate and ask questions of the University regarding the report.

From Academic Programs - Goals and Objectives:

7.10 "We examined the goals and objectives within the Faculties of Arts and Science and the AVC."

7.12 "The lack of goals and objectives can affect the University's capacity to implement its mandate and to adjust to changing circum-

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