

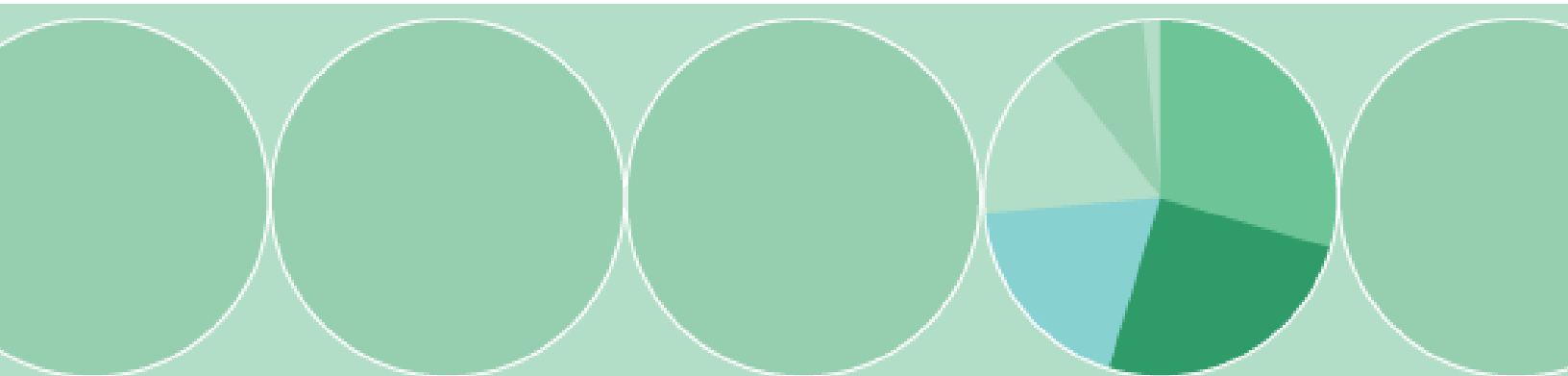


**WHERE KNOWLEDGE IS POWER**

IBISWorld Industry Report

September 05 2007

## Private Schools in the US: **61111b**



### DISCLAIMER

This product has been supplied by IBISWorld Inc. ("IBISWorld") solely for use by its authorized licenses strictly in accordance with their license agreements with IBISWorld. IBISWorld makes no representation to any person with regard to the completeness or accuracy of the data or information contained herein, and it accepts no responsibility and disclaims all liability (save for liability which cannot be lawfully disclaimed) for loss or damage whatsoever suffered or incurred by any other person resulting from the use of, or reliance upon, the data or information contained herein. Copyright in this publication is owned by IBISWorld Inc. The publication is sold on the basis that the purchaser agrees not to copy the material contained within it for other than the purchaser's own purposes. In the event that the purchaser uses or quotes from the material in this publication - in papers, reports, or opinions prepared for any other person - it is agreed that it will be sourced to: IBISWorld Inc.

# Contents

Industry Definition.....	3
ACTIVITIES (PRODUCTS AND SERVICES) .....	3
SIMILAR INDUSTRIES .....	3
DEMAND & SUPPLY INDUSTRIES .....	3
Key Statistics.....	5
CONSTANT PRICES .....	5
CURRENT PRICES .....	5
REAL GROWTH.....	6
RATIO TABLE .....	6
GRAPHS .....	6
Segmentation .....	8
PRODUCTS AND SERVICE SEGMENTATION .....	8
MAJOR MARKET SEGMENTS.....	9
INDUSTRY CONCENTRATION.....	10
GEOGRAPHIC SPREAD .....	11
Market Characteristics .....	14
MARKET SIZE .....	14
LINKAGES .....	14
DEMAND DETERMINANTS .....	15
DOMESTIC AND INTERNATIONAL MARKETS.....	16
BASIS OF COMPETITION.....	16
LIFE CYCLE.....	17
Industry Conditions.....	19
BARRIERS TO ENTRY .....	19
TAXATION .....	19
INDUSTRY ASSISTANCE .....	20
REGULATION AND DEREGULATION .....	21
COST STRUCTURE .....	22
CAPITAL AND LABOR INTENSITY .....	23
TECHNOLOGY AND SYSTEMS .....	23
INDUSTRY VOLATILITY.....	24
GLOBALIZATION.....	24
Key Factors .....	25
KEY SENSITIVITIES.....	25
KEY SUCCESS FACTORS.....	25
Key Competitors .....	27
PLAYER PERFORMANCE .....	27
OTHER PLAYERS .....	27
Industry Performance .....	29
CURRENT PERFORMANCE.....	29
HISTORICAL PERFORMANCE.....	31
Outlook .....	35

## Industry Definition

This industry comprises establishments primarily engaged in providing preparatory education (including all or part of kindergarten, elementary and secondary education), not funded by any level of government. Instead their services are funded by tuition fees and other private sources. This industry comprises both religiously affiliated and non-sectarian schools.

### ACTIVITIES (PRODUCTS AND SERVICES)


The primary activities of this industry are:

- Private elementary schools
- Private secondary schools
- Private Kindergartens
- Private Schools for the physically disabled, elementary or secondary
- Private elementary and secondary schools

The major products and services in this industry are:

- Non Sectarian Education
- Other Religious Education
- Catholic Education

### SIMILAR INDUSTRIES

Industry:  61121 - Junior Colleges in the US

Description: This industry confer associate degrees, certificates or diplomas below the baccalaureate level.

Industry:  61131 - University Colleges in the US

Description: This industry comprises establishments that confer degrees at the baccalaureate level and higher.

Industry:  61169 - Tutoring, Test Preparation, Driving Schools & Other Education in the US


Description: This industry includes establishments that provide tutoring and exam preparation services.

Industry:  61171 - Test Development & Educational Support Services in the US

Description: Establishments within this industry provide support services for all education industries. These services include student testing and test marking.

Industry:  62441 - Child Day Care Services in the US


Description: Establishments within this industry provide preschool or prekindergarten services.

Industry:  61111a - Public Schools in the US

Description: This industry comprises institutions that provide a preparatory level education funded by all three levels of government.

### DEMAND & SUPPLY INDUSTRIES

 23332b - Municipal Building Construction in the US

 32223 - Office Stationary Manufacturing in the US

- ☰ 33712 - Household Furniture Manufacturing in the US
- ☰ 42143 - Computer, Peripheral, & Packaged Software Wholesaling in the US
- ☰ 42149 - Laboratory, Scientific & School Supplies Wholesaling in the US
- ☰ 42292 - Book, Magazine & Newspaper Wholesaling in the US
- ☰ 48541 - Public School Bus Services in the US
- ☰ 56172 - Janitorial Services in the US
- ☰ 56173 - Landscaping Services in the US
- ☰ 72231 - Food Service Contractors in the US
- ☰ 81411 - Nanny, Butler & Other Household Services in the US

## Key Statistics

### CONSTANT PRICES

	2002	2003	2004	2005	2006	
Industry Revenue	*40.4	*42.2	*44.0	*45.2	*46.5	\$Bill
Industry Gross Product	*25.9	*26.8	*27.3	*28.2	*29.1	\$Bill
Number of Establishments	29,273	28,424	28,384	28,639	*29,184	Units
Number of Enterprises	*25,985	*25,496	*25,407	*25,604	*25,973	Units
Employment	*793,638	*804,249	*808,572	*817,466	*822,731	Units
Exports	N/A	N/A	N/A	N/A	N/A	
Imports	N/A	N/A	N/A	N/A	N/A	
Total Wages	*21.0	*21.6	*21.8	*22.6	*23.3	\$Bill
Domestic Demand	NC	NC	NC	NC	NC	\$Bill
Enrollment	6,220.0	6,099.0	6,151.0	6,062.0	*6,127.0	Thousands

### CURRENT PRICES

	2002	2003	2004	2005	2006	
Industry Revenue	*36.3	*38.7	*41.5	*43.9	*46.5	\$Bill
Industry Gross Product	*23.3	*24.6	*25.7	*27.4	*29.1	\$Bill
Number of Establishments	29,273	28,424	28,384	28,639	*29,184	Units
Number of Enterprises	*25,985	*25,496	*25,407	*25,604	*25,973	Units
Employment	*793,638	*804,249	*808,572	*817,466	*822,731	Units
Exports	N/A	N/A	N/A	N/A	N/A	
Imports	N/A	N/A	N/A	N/A	N/A	
Total Wages	*18.9	*19.8	*20.6	*21.9	*23.3	\$Bill
Domestic Demand	NC	NC	NC	NC	NC	\$Bill
Enrollment	6,220.0	6,099.0	6,151.0	6,062.0	*6,127.0	Thousands

## REAL GROWTH

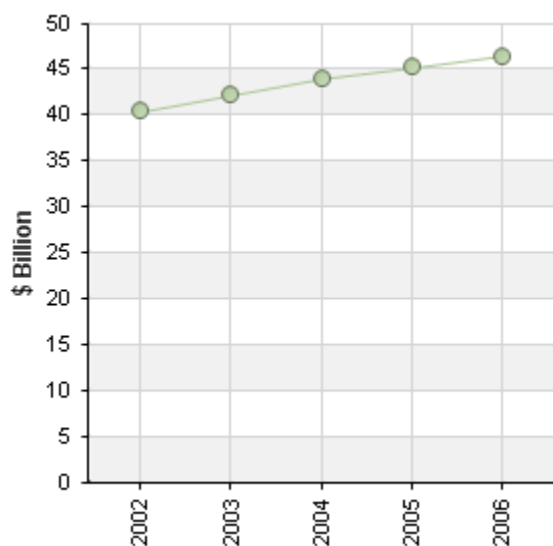
	2002	2003	2004	2005	2006
Industry Revenue	*4.7	*4.5	*4.3	*2.7	*2.9 %
Industry Gross Product	*9.1	*3.5	*1.8	*3.3	*3.3 %
Number of Establishments	2.5	-2.9	-0.1	0.9	*1.9 %
Number of Enterprises	*2.7	*-1.9	*-0.3	*0.8	*1.4 %
Employment	*6.2	*1.3	*0.5	*1.1	*0.6 %
Exports	N/A	N/A	N/A	N/A	N/A %
Imports	N/A	N/A	N/A	N/A	N/A %
Total Wages	*9.5	*2.5	*1.3	*3.3	*3.1 %
Domestic Demand	NC	NC	NC	NC	NC %

## RATIO TABLE

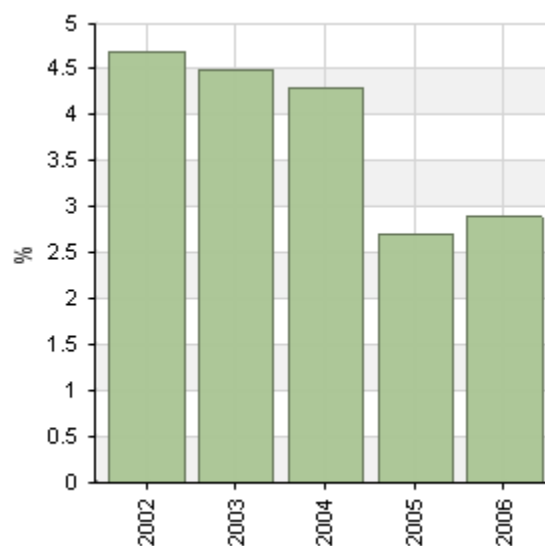
	2002	2003	2004	2005	2006
Imports share of domestic demand	N/A	N/A	N/A	N/A	N/A %
Exports Share of Revenue	N/A	N/A	N/A	N/A	N/A %
Average Revenue per Employee	*0.00	*0.00	*0.00	*0.00	*0.00 \$Bill
Wages and Salaries Share of Revenue	*52.08	*51.11	*49.64	*49.89	*50.02 %

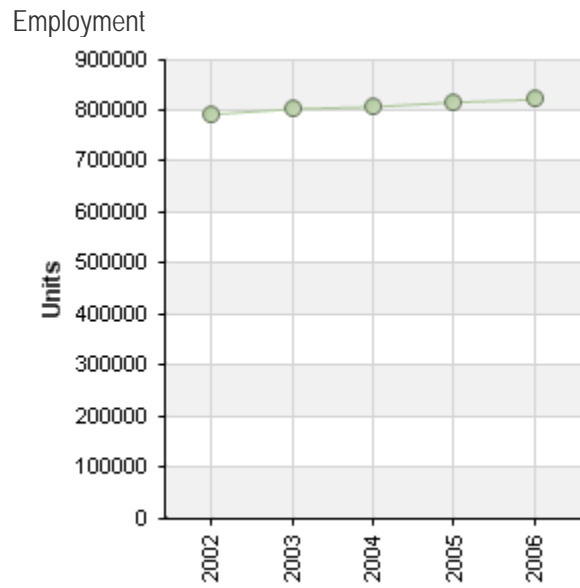
## GRAPHS

Revenue



Revenue Growth Rate

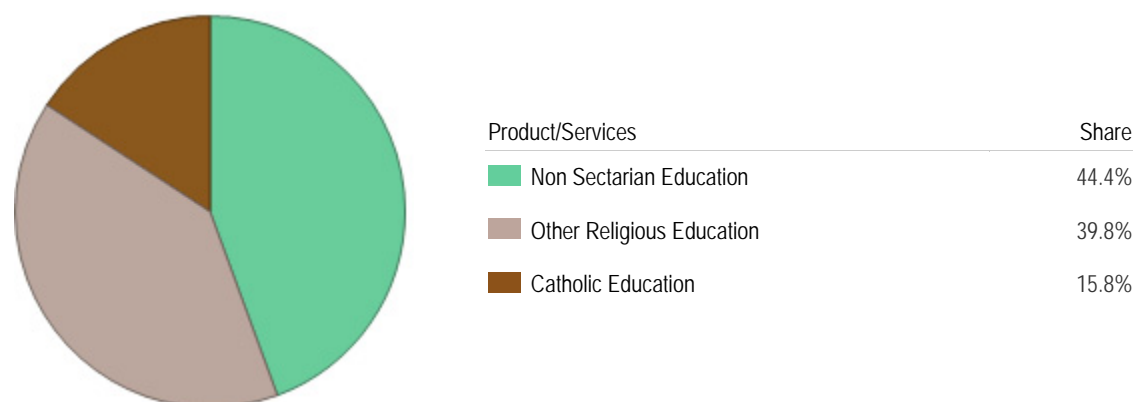




Note: Unless specified, an asterisk (\*) associated with a number in a table indicates an IBISWorld estimate and references to dollars are to US dollars.

## Segmentation

### PRODUCTS AND SERVICE SEGMENTATION



The Private Elementary and Secondary Schools industry in the US offer Catholic education, other religious education and non-Sectarian education, at both elementary and secondary schools. Non Sectarian education services account for the largest proportion of industry revenue (44.4%), with other religious education services accounting for 39.8% of industry and Catholic education services representing 15.8% of revenue. However, the proportion of enrollments that these schools account for is quite different from their share of industry revenue (see table below).

Proportion of Industry Enrollments and Institutions by Type of School

Type of School	Percentage % of Enrollments	Percentage % of Institutions
Catholic	46.2	27.9
Other Religious	35.8	48.1
Non Sectarian	18	24

Source: National Center for Education Statistics

Catholic schools represent the largest proportion of industry enrollments, 46.2%, however, they account for only 15.8% of industry revenue. This disparity in proportion of industry enrollments and revenue is due to the low tuition fees that Catholic schools charge relative to private schools. The table below represents IBISWorld estimates of average tuition costs of the various school types and levels.

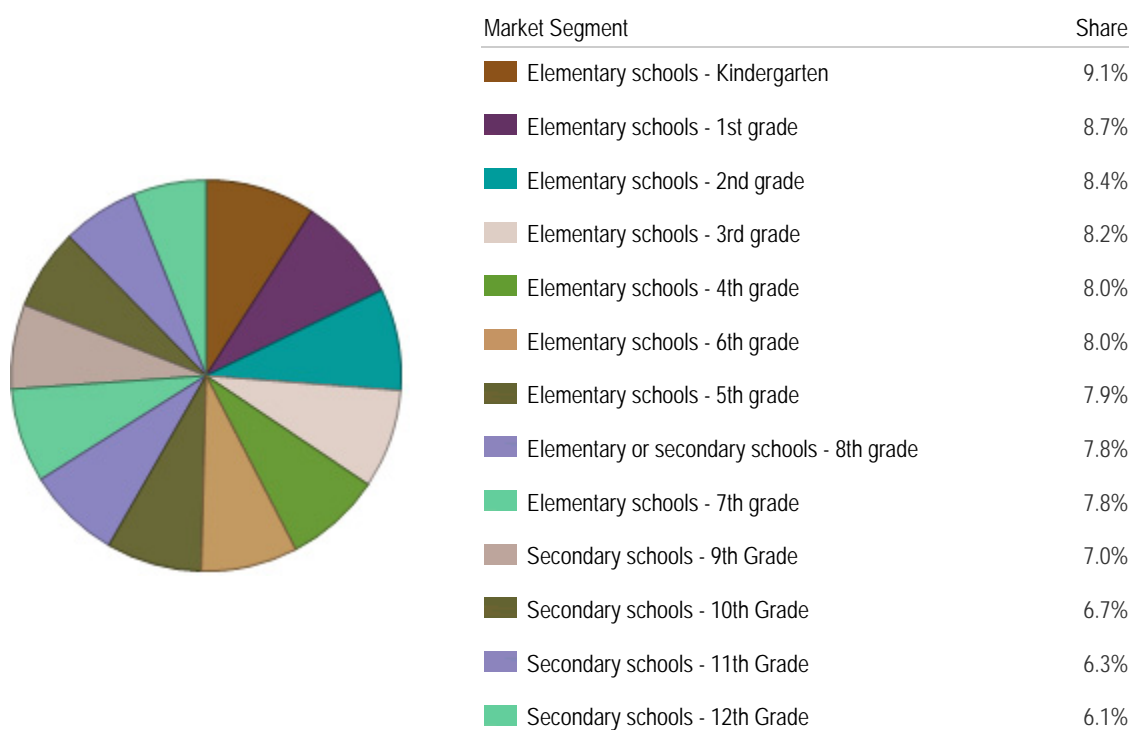
Forecast Average Tuition Costs By School Type and Level for 2006-07(2006 constant dollars).

Level of Education	Dollars Catholic	Dollars Other Religious	Dollars Non-Sectarian*
Elementary School	2800	4943	
Secondary School	6906	9465	
Combined School	8390	1182	18243

Source: IBISWorld - Analyst  
Note: \*day school

Within the Catholic schools segment, the schools can be broken down again into Parochial, Diocesan and Private, depending on the source of their funding. Other religious schools include Methodist, Amish, Lutheran Church, and Seventh - day Adventist. Non sectarian schools include schools that have special educational emphasis, such as Montessori, or alternative schools and schools that provide special education.

## MAJOR MARKET SEGMENTS



The market segmentation for the private elementary and secondary schools can be done by grade of the student. The largest proportion of students that attend private schools are in the kindergarten age group. The proportion then slowly declines as the students move through the education system. This market segmentation differs slightly to that of public schools. Public schools often experience a rise in the proportion of students attending the 9th Grade. This is because

many students repeat this level of education as it is most often the first year of secondary school. In both public and private systems of education, enrollment falls from the 10th grade onwards due to the non compulsory nature of these levels of education.

The students of private schools can also be segmented by their ethnic background. The table below shows that approximately 76.2% of private school students come from white backgrounds, which is slightly higher than the proportion in the larger US population, 73.7%. Asian and Pacific Islanders are the only other group that are over represented in private school population.

Private School Students by Ethnic Background in Comparison to General US Population.

Ethnicity	Percentage Private School Students	Percentage US Population*
White	76.2	73.7
Black, non-Hispanic	9.5	11.7
Hispanic	8.8	13.2
American Indian/ Alaska Native	0.6	0.9
Asian/ Pacific Islander	4.9	0.5

Source: National Center for Education Statistics

Note: \*IBISWorld estimate based on data from the US Census

## INDUSTRY CONCENTRATION

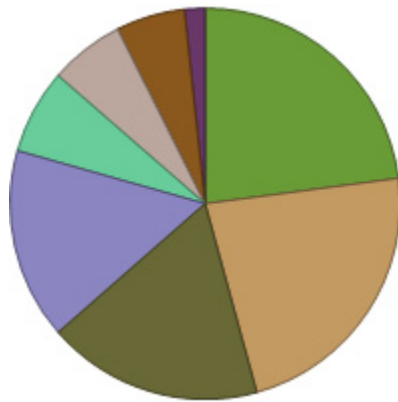
Concentration in this industry is low

Participants within the Private Elementary and Secondary Schools industry in the US usually enroll small numbers of students and operate mainly on a regional basis. This operational structure translates into low industry concentration. IBISWorld estimates that the largest five private school institutions account for less than 4% of industry revenue. Industry concentration is not expected to change in the near future, as in some instances, the small nature of the establishment is a basis of competition.

## GEOGRAPHIC SPREAD

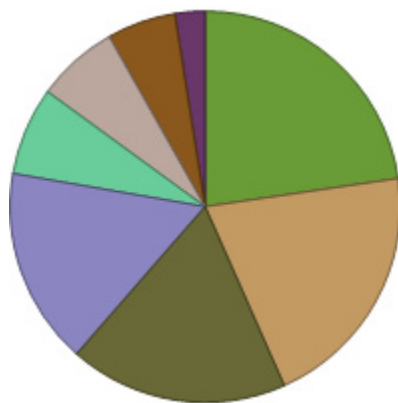
Year: 2007

Geographic Spread of Private School Enrollments



Region	Percentage
South East	22.9
Mid East	22.8
Great Lakes	17.8
Far West	15.8
Plains	7.0
South West	6.2
New England	5.7
Rocky Mountains	1.7

Geographic Spread of Private Schools



Region	Percentage
South East	22.7
Mid East	20.7
Great Lakes	18.1
Far West	16.3
Plains	7.3
South West	6.8
New England	5.7
Rocky Mountains	2.5

The geographic spread of private schools is quite different from the geographic spread public schools. Public schools geographic spread roughly follows population location across the nation, however, the geographic spread of private schools is influenced by many other factors. These factors include historical development and the geographic spread of income across the nation, in addition to overall population geographic spread.

### Geographic Distribution of Private, Public and School-Age Population.

Region	Percentage Private Students	Percentage Public Students	Percentage School-Age*
Far West	15.8	17.9	18.2
Great Lakes	17.8	15.5	16.1
Mid East	22.8	14.4	15.7
New England	5.7	4.5	4.6
Plains	7.0	6.5	6.5
Rocky Mountains	1.7	3.6	3.4
South East	22.9	24.3	34.6
South West	6.2	13.3	10.6

Source: National Center for Education Statistics

Note: \*US Census data

The South East accounts for the largest proportion of private school enrollments, 22.9%, which is largely due to its large population (24.7% of the US population).

The Mid East accounts for 22.8% of private school enrollments, which is much higher than its proportion of total US population (16.4%). This is due to do with the wealth in this region of the country. New York is the home to the Ivy League schools, which are considered preparatory schools to the Ivy League universities.

New England also accounts for a larger proportion of private school enrollments than total US population, again due to the wealth and history of this region.

The South West accounts for a lower proportion of the private school enrollments and private school numbers, this can, in part, be attributed to the lower average incomes that are prevalent in this region.

The top five states, in terms of private school enrollment are: California, New York, Florida, Pennsylvania and Illinois.

### Geographical Spread of High School Graduates

Both New England and the Mid East regions account for larger proportions of private school graduates. This is due to the higher quality education, in general, that is available within these regions. The higher quality education results in a higher number of students relocating to these regions for the last few years of their school education (see table below).

### Geographic Spread of Private High School Graduates.

Region	Percentage % of total Private School Graduates*
Far West	14.3
Great Lakes	16.8
Mid East	23.9
New England	8.8
Plains	6.8
Rocky Mountains	1.5
South East	22.5
South West	5.4

Source: National Center for Education Statistics

Note: \*estimates

## Market Characteristics

### MARKET SIZE

The elementary and secondary schools comprise a large proportion of the education sector in the US. However, private elementary and secondary schools account for a small segment of the elementary and secondary schools in the US. Private schools account for about 11.1% of student numbers and account for roughly 9.1% of elementary and secondary schools revenue.

Private schools in the US are forecast to earn revenue of \$48.9 billion over 2007. Industry value-added is expected to total \$30.7 billion in 2007, growing by 3.5% per annum over the five years to December 2007. Over the current performance period, industry value-added is forecast drop from accounting for 64% of industry revenue in 2001-02, to account for 62.8% in 2007.

In 2007, IBISWorld expects that 29,417 schools to be operating in Private Elementary and Secondary Schools industry and employing 829,772 staff. Over the current performance period, limited growth was experienced in school numbers, however, growth was experienced in employment. Wages account for roughly 48.5% of industry revenue.

According the National Center for Education Statistics private school enrollment is projected to total 6.15 million in 2007, which represents an average decline of 0.2% per year.

Operators within this industry can be split into three main segments including: catholic schools, other religious schools and non sectarian schools. Catholic schools account for the largest proportion of enrollments within this industry, however, non sectarian schools account for the largest proportion of industry revenue.

### LINKAGES

#### Demand Linkages

☰ 81411 - Nanny, Butler & Other Household Services in the US

Households and children are virtually the sole users of private school services and facilities. However, other social groups and sporting associations may also utilize school facilities.

#### Supply Linkages

☰ 23332b - Municipal Building Construction in the US

Firms in this industry construct buildings, provide alterations, repairs and maintenance to private elementary and secondary schools.

☰ 32223 - Office Stationary Manufacturing in the US

Supply of notebooks and other stationery products.

☰ 33712 - Household Furniture Manufacturing in the US

The supply of institutional-type furniture for private elementary and secondary schools. This includes desks, chairs, book cases, and other items.

☰ 42143 - Computer, Peripheral, & Packaged Software Wholesaling in the US

Supply of computers, computer equipment, and software at the wholesale level.

☰ 42149 - Laboratory, Scientific & School Supplies Wholesaling in the US

Supply of school equipment and supplies (excluding books and furniture), such as laboratory equipment, drawing instruments, scientific instruments, and other miscellaneous wholesale items.

☰ 42292 - Book, Magazine & Newspaper Wholesaling in the US

Supply of books at the wholesale level.

☰ 48541 - Public School Bus Services in the US

Supply of school bus transportation services for private elementary and secondary school students.

☰ 56172 - Janitorial Services in the US

Supply of janitors for cleaning and other required services for private elementary and secondary schools.

☰ 56173 - Landscaping Services in the US

The provision of landscaping services, including planning, planting, and maintenance of private elementary and secondary school gardens.

☰ 72231 - Food Service Contractors in the US

Cafeteria food service contractors supply private elementary and secondary schools.

## DEMAND DETERMINANTS

The determinants affecting demand for private elementary and secondary schools in the US vary considerably from that of public schools. Demand for public schools is largely dependent on population growth of school aged children, due to the compulsory nature of some levels of schooling. However, demand for private schools is largely dependent on quality and price.

**Quality** - The quality of private school education compared to public school education affects the demand for private schools within the US. If the quality of public schools drops, demand for private schools will rise.

**Price** - The price of the private school education is an important consideration when parents choose whether or not to send their children to a private school. A rise in the cost of tuition for a private school, without a relative increase in income, may result in reduced demand for the services provided by a private school.

**Household incomes** - The level of household incomes affects the demand for private schools. An increase in household income may enable more families to afford to send their children to private schools.

**Government funding** - The level of government funding sometimes affects the quality of public schools. A decline in government funding may encourage more families to send their children to private schools.

**Society's perceptions of Private schooling** - The quality of public schools is increasingly being perceived as lower than private schools, which has resulted in increased demand for the services of private school.

**Government Policies** - Some states have incorporated parental choice into their education policies. This has, in some instances, increased demand for private schools from families supported by government funding.

There are also underlying factors, which influence demand for schools more generally:

- The number of school age children
- Regulations regarding compulsory attendance result in a consistent level of demand for the services provided by Schools within the US. Compulsory enrollment ages vary across states, from 5 to 18 years of age (the minimum required grade to be completed is Grade 10)
- Income differentials between non-high school graduates and high school graduates
- Society's perceptions about leaving school prior to Grade 12
- Desire to attend higher education facilities in the future
- Many other family, societal, personal, and other reasons.

## DOMESTIC AND INTERNATIONAL MARKETS

### Domestic and International Markets Exports

Exports in this industry are low

Exports in this industry are steady

### Domestic and International Markets Imports

Imports in this industry are low

Imports in this industry are steady

### Domestic and International Markets Analysis

Private elementary and secondary schools in the US only operate within the domestic economy. Unlike other educational institutions, such as Universities and Business schools, elementary and secondary schools do not participate in international markets. Private Schools within this industry, generally operate on a regional basis within the US.

## BASIS OF COMPETITION

Competition in this industry is medium

Competition in this industry is steady

Competition exists within this industry both internally between private schools and externally with public schools of the same level education (elementary or secondary). Competition is largely regionally based, however, some private schools do enroll students from across the nation.

### Internal Competition

When choosing a private elementary or secondary school to enroll their children into, parents are most often influenced by the reputation and quality of the school relative to the cost of tuition.

The reputation of the school is largely dependent on many different factors including:

- Facilities - the quality of the facilities are large determinants when parents choose which private school they want their children to attend. For example, some parents prefer schools that have extensive sporting facilities or high number of computers.
- Teacher quality - Parents are attracted to schools that have good quality teachers.
- Course Content- the quality of the education programs that are offered.
- Previous attendances at the same school- If parents have other children enrolled at the same school, this may encourage further enrollments for the other children.
- Academic results - the levels of Grade 12 completions or scores in standardized tests.

Other bases of competition that private schools compete on are:

- Religious teachings of a school - This is an important consideration for some parents.
- The Type of Education provided by the School - Different private schools incorporate varied forms of education and ways of teaching.
- Extra Curricula Activities - Private schools also compete on the breadth of extra curricula activities that they provide. For example, some private schools offer extensive sport training, which attracts some families and children.
- Services Supplied - Private schools also may compete on what services they provide, whether it be day school only or boarding facilities.
- Safety - the levels of violence and other problems. Parents may choose to enroll their children in a school that is located further from home that has fewer problems.

### External Competition

The basis for competition with public schools is mainly based on price and quality, of which the facets of quality are outlined above. Private schools normally have better facilities, teacher quality and course content than public institutions. However, they also compete on the basis of price and the perceived benefits of higher quality education relative to the cost of tuition.

Factors affecting the quality of public education:

- Government funding - The level of government funding affects the facilities that public schools can provide and therefore affects the quality of education.
- Teacher quality - The quality of teachers in the public system will affect the quality of education delivered at public schools. The quality of teachers may be affected by salary levels and other factors.

Factors affecting the cost of private school tuition:

- Scholarships - Scholarships are available to attend private schools, both from private schools, private scholarship programs and in some cases, some Governments. These reduce the price effect on competition.
- Government Policies - Some states have introduced a voucher system, where students from low performing schools are given a certain amount of government funding to attend the school of their choice, private or public. This can reduce the cost of private education to families.

## LIFE CYCLE

### Life Cycle Stage

The life cycle stage is mature

### Life Cycle Reasons

- Industry revenue and value-added growth has been strong over the current performance period.
- Demand for private schools has increased over the last five years.
- Tuition returns and other sources of revenue for private schools have been increasing over the last few years.

### Life Cycle Analysis

Private elementary and secondary school revenue is forecast to grow by 3.9% per annum between 2002 and 2007, with industry value-added expected to grow by 3.5% per annum over the same time period. In comparison the US Gross Domestic Product (GDP) is forecast to grow by 3% per annum over the five years to December 2007.

Industry growth has been supported by continued increases in tuition and other sources of revenue. Over the current performance period, all three types of private schools have seen their tuition fees rise. Fundraising efforts and returns have also increased over the last five years.

Due to the value given to education, by community, business and government, families demand high quality education. Over the current performance period families have become disgruntled with the state of public education system and in response are sending their children to private schools in larger numbers.

However, there has been limited overall growth in the number of enterprises and establishments operating within this industry. Over the five years to December 2007, IBISWorld forecasts that industry enterprises will grow by 0.15% per annum. However, this growth rate is not representative of what happened within the industry, with structural changes occurring, as many exit and others enter the industry.

## Industry Conditions

### BARRIERS TO ENTRY

Barriers to entry in this industry are medium  
These barriers are steady

- License is required to open an elementary or secondary school.
- There are high infrastructure costs and land requirements.
- New entrants need access to funding to attract top quality staff.
- Reputation is very important within this industry.

Barriers to entry for this industry mainly consist of the requirement for new entrants to obtain a license from their State Education Department to operate within this industry. In addition, high infrastructure costs and large land requirements also represent barriers to entry, as do the high costs associated with attracting top quality staff.

Land requirements can hinder potential new elementary and secondary schools from being established, particularly in heavily populated areas. The cost of developing the infrastructure necessary for elementary and secondary school facilities is high. Major investments include the cost of buildings, equipment, and facilities.

There are limited economies of scale within the operation of private schools and there is no import competition, which industry players have to overcome. Therefore barriers to entry are medium.

However, there are also barriers to success that may limit the number of new entrants into this industry. The most important factor of success is the reputation of the private school and a reputation takes time to build, which may limit the number of new entrants into the industry. Other factors affecting the success of a new entrant include age demographics, and existing school facilities.

### TAXATION

There are no specific taxation issues for this industry

Not-for-profit elementary and secondary schools in the US are usually not required to pay government taxes. Under the Internal Revenue Code Section 501(c), most religiously affiliated schools are exempt from tax.

The requirements for a religiously affiliated school to be declared tax exempt are:

- (1) that the private school be organized and operated exclusively for religious, educational, scientific, or other charitable purposes only
- (2) that net earnings must not be used for the benefit of any individual or shareholder
- (3) that no part of the organization attempt to influence legislation
- (4) that the organization must not intervene in political campaigns and that its activities are not illegal.

Obtaining an exemption also means that donations to the group are tax-deductible. However, revenue derived from unrelated trade or business activities, such as revenue from advertising, sale of merchandise and publications, rental income and parking lots may still be taxable. Private schools need to show they are racially nondiscriminatory to be exempt from paying taxes. For-profit schools are still required to fulfill all tax requirements of regular for profit businesses.

## INDUSTRY ASSISTANCE

The level of Industry Assistance is high  
The trend of Industry Assistance is steady

There are no specific tariffs for this industry

This industry is provided both monetary and non monetary assistance, from private, religious and government sources.

### Private/ Religious Sources

The industry receives mostly direct assistance from private sources, which is assistance aimed specifically at institutions within the industry.

Most sectarian schools receive some form of monetary assistance from their affiliated religious organization. For example, Dowling Catholic High School, receives an average of \$1,079 per student from their associated parishes. This assistance allows most of the religiously affiliated schools to reduce their tuition costs for their students, ensuring that more students are able to afford their services.

The majority of private, not-for-profit schools also receive private donations and gifts from trust funds and individuals. Kahmehameha School was started through the establishment of a trust by Bernice Pauahi Bishop, the Great Grand Daughter and last royal descendant of Kamehameha the Great. This school now benefits from the largest endowment fund of any private school in the US.

### Government Sources

This industry also benefits from some government policies. Most often government assistance to this industry is not aimed at directly helping the industry, instead it is aimed at assisting the students that attend private schools. Therefore the State Government assist this industry indirectly.

### Tax Credits for Students

Several states provide tax credits for households that have students enrolled in private schools. For example, since 1998, tax breaks, of up to \$625, are available for people who donate to a school tuition organization (STO) in Arizona. A STO is a non-profit organization required by law to allocate over 90% of their revenue to scholarships or grants for students to attend private schools. Florida has the Florida Corporate income Tax Credit Scholarship Program, which has been effective since January 2002. This program provides dollar-for-dollar tax credits, of up to \$3,500, for businesses that make contributions to non-profit organization that give scholarships.

There has been controversy, over the current performance period, regarding tax credits for private school enrollments and the effects on the public school system. Recent court cases have ruled that state tax credits can be challenged at the federal level. Advocates of the public school system and funding filed a lawsuit in Arizona against the Department of Revenue claiming violations against the Constitution by providing tax credits to private schools. The Arizona Supreme Court upheld the tax credit law with regard to state constitutionality. The plaintiffs then filed another suit in the Arizona District Court on the basis that it represents a tax-scheme by a state, and that it violates the Establishment Clause of the Constitution. The District Court upheld the tax-credit, but this decision was reversed on appeal. The State of Arizona then appealed the decision and the case was heard in the US Supreme Court, which upheld the Court of Appeals ruling, and remanded the case back to the Arizona District Court. The tax credit program has continued to apply throughout this process.

### Voucher Systems

There is also continued disagreement regarding vouchers for private school enrollment. In 2005, Ohio and Utah passed voucher laws but measures in Wisconsin, South Carolina, Arizona and Texas were defeated. Most recently in New Jersey, a law suit has been filed by the parents of 12 parents, claiming that the state has failed to provide their children with a proper education. They are arguing that the State, by not giving them the choice of school, is denying their children of a proper education.

The voucher system is supposed to give parents the choice for their children's education and introduce competition into the public education system. In many instances opponents have pointed to the problems of giving state funding to religious based schools. In Cleveland, Ohio in 2002 only 4% of students that received vouchers went to non sectarian schools. And there is much concern that a voucher system will ruin the country's public education system. Opinions on this issue are divided and there is no clear path forward.

### Other Government Policies

- Some states allow not-for-profit schools to apply for some government grants.
- Under the No Child Left Behind legislation particular students, regardless whether they attend private or public school, are eligible for extra assistance. This assistance is provided by Local Education Agency (LEA), and is mainly there to improve children's school performance.

## REGULATION AND DEREGULATION

The level of Regulation is heavy

The trend of Regulation is steady

Private elementary and secondary schools in the US are subject to certain government regulations and requirements. Due to the 10th Amendment, the majority of education policy and regulation is controlled at the state level.

Private schools in the US are required to be registered and approved by State officials to provide elementary or secondary education. Government agencies generally review the fitness and adequacy of buildings and equipment, the ratio of staff personnel to enrolled children, staff training, record keeping, children's dietary program, daily curriculum, and compliance with health and safety standards.

Under most state legislation private schools are required to record and track student enrollment, attendance and performance, and are required to pass the information onto the State Department of Education.

Some states also regulate the required length of a school year and curriculum. For example, the New York Department of Education requires that an equivalent number of courses in patriotism, citizenship and human rights issues, are provided within both the public and private schooling systems.

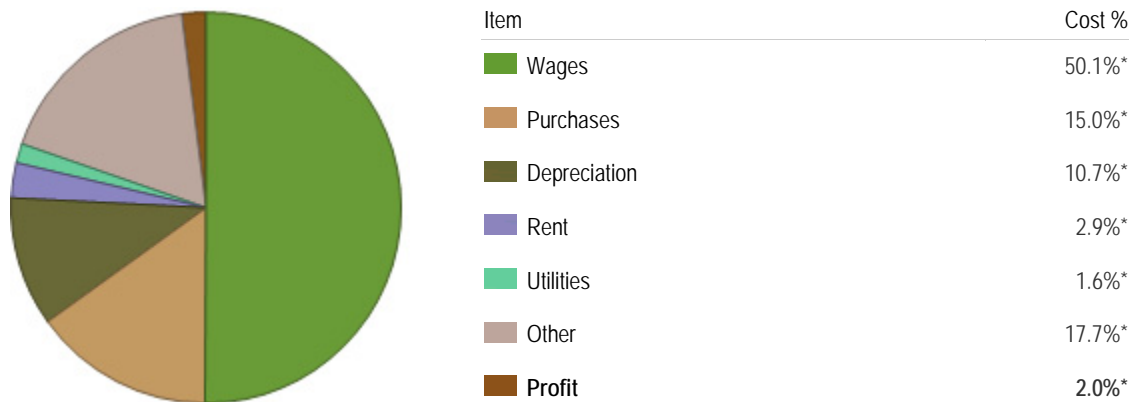
All staff working in an elementary or secondary school have a background check done before they are employed. Teacher qualification is also regulated, with all states having quality standards that apply to all teaching fields and grade levels. Only 39 states, require content-specific bachelor's degree, with 15 states have no content-area of bachelor's degree requirements. However, there are also alternative routes for teachers to receive teacher certification. These include the attendance of some sort of professional development course and participation in intensive supervision program.

There are also laws applicable to compulsory attendance by students of school age. These vary between states, but generally involve required enrollment and attendance of students between the ages of 5 and 18 or 19. The minimum required grade to be completed by students is Grade 10.

Private schools, even those with Title I students, are not required to participate in their State's annual academic assessment for the No Child Left Behind legislation.

## COST STRUCTURE

Year: 2007



This industry cost structure represents an industry average. However, the cost structure of these schools varies depending on the type of facilities offered, services provided, the number students, the size of the school, and type of education supplied.

Wages account for the largest proportion of expenses at about 50.1%. Over the current performance period, wages as a portion of industry revenue have declined. However, over the last few years of the current performance period, wage growth has increased as private schools are forced to increase wages to attract more staff.

Other costs is the next largest segment of expenses for private schools. This segment accounts for roughly 17.7% of industry, and includes: maintenance, support services, administration costs, both general and school specific and general operations, and maintenance expenses. In addition, unlike public schools, private schools also have the expense of marketing their school.

Purchases by elementary and secondary schools include transportation, food, and supplies. These services make up over 15% of costs for a typical school.

Depreciation for private schools is estimated to average 10.7% of revenue. Capital investment include expenditure for buildings, equipment, computers, and other long-term investments.

Rent is estimated to account for 2.9% of industry revenue. Unlike public schools, some private schools do have to lease their premises. Private schools also have to pay for utilities as well.

Profit for the industry is estimated to total 2% of industry revenue. This is a relatively low percentage due to the not-for-profit structure of many private schools in the US. However, for-profit school numbers are increasing.

## CAPITAL AND LABOR INTENSITY

The level of Capital Intensity is medium

- High levels of labor due to the required high levels of teacher, administration and support services.
- Moderate levels of capital expenditure on buildings, computers and other equipment.
- Classes are not able to be taught without a teacher. Further, increased capital investment can only provide limited benefits to students.
- Private elementary and secondary schools have a capital to labor ratio of 4.6 to 1.

The capital to labor intensity provides an indication of the levels of capital infrastructure and human interaction required within private elementary and secondary schools.

The typical private elementary and secondary school has a capital to labor ratio of 4.7 to 1. This indicates for every dollar spent on capital, approximately \$4.70 is spent on labor. Schools that operate with high levels of computer equipment, building infrastructure and additional facilities will generally have a higher capital to labor ratio than those schools with limited operations. Approximately 50.1% of revenues and funding is teachers, instructional support, and administration. Depreciation costs of about 10.7% represent a moderate level of capital expenditure.

Elementary and secondary schools are unable to gain significant cost advantages by increasing expenditures on capital equipment, such as computers and other equipment. These expenditures, however, can increase the standard of teaching and provide a wider variety of learning skills for students. There is a tradition of high labor levels within secondary and elementary schools.

## TECHNOLOGY AND SYSTEMS

The level of Technology Change is medium

Private elementary and secondary schools in the US have increased expenditure on computers, computer equipment, software, and related technologies in the past decade. As funding levels continue to grow, and as the cost of new computers continues to fall, schools are able to update and replace old technologies more regularly. Schools that have newer computers and software are able to provide students with educational requirements relevant to the modern world environment. Private elementary and secondary schools are more likely to update other technologies and equipment on such a regular basis than public schools, due to public funding constraints.

In many instances, the internet and other new media technologies are used to enhance classroom based activities. The internet is also used to create virtual classrooms, which can reach a large number of students across counties and state borders. In 2007, Apollo Group announced that it bought Insight Schools, an online secondary school. This is the first move by the Apollo Group, the parent company of the University of Phoenix, into school education and may represent the first of many online education providers into the industry.

Schools have also benefited from the use of technologies, which improve their record keeping and streamline administration needs. Technologies have assisted schools in coping with the new regulatory requirements, implemented under the No Child Left Behind (NCLB) legislation. The NCLB legislation governs the provision of school education, mainly public. This legislation has increased schools requirements for testing and proving the schools performance. Some

technologies have assisted schools with standardized testing, which is required to prove their children's performance. Standardized testing is often outsourced to testing companies, that use the latest technologies increasing the efficiency of test taking and marking.

## INDUSTRY VOLATILITY

The level of volatility is low

- The perceived value of a private school education is relatively high, which leads to underlying consistency of demand for the education private schools provide.
- The reliable demand, allows the industry and industry participants to increase tuition costs with relative certainty that demand for their services will continue.
- These factors contribute to relatively secure industry expansion.

## GLOBALIZATION

The level of Globalization is low

The trend of Globalization is steady

Private elementary and secondary schools in the US generally only operate within the domestic economy. However, the content of the lessons at schools is influenced by the increasing globalization of everyday life.

## Key Factors

### KEY SENSITIVITIES

The key sensitivities affecting the performance of the Private Schools industry include:

#### **Age Group (5-19)**

Description: The number of school aged children.

The number of school aged people within the US will affect demand for the services offered by this industry. Growth in the number of school aged children may lead to an increase in the number of students enrolled at private schools, thereby assisting industry expansion.

#### **Education Retention Rates - Secondary**

Description: Higher retention rates in education/training.

Increased education retention rates benefit both public and private schools, as it raises the number of students demanding educational instruction in the 10th, 11th and 12th grades.

#### **Funding (State & Local) - Combined Public Primary and Secondary Education**

Roughly 90% of public elementary and secondary schools funding is from either state or local governments. Therefore, a decline in State and Local Government funding, may reduce the quality of public education, thereby increasing demand for private schooling.

#### **Households in Income Group - Highest Quintile**

Description: Households with an annual average income of 100,000+; thousands; historical and forecast data.

Increases in the number of households in the highest income group can lead to a rise in demand for private schooling, as households in the highest income group can more easily afford the tuition costs of private education.

### KEY SUCCESS FACTORS

The key success factors in the Private Schools industry are:

- Ability to effectively change community behavior  
Private schools that are able to attract students from public schools can increase revenues.
- Ability to attract local support/patronage  
Private schools can benefit extensively from good local support and patronage. This can assist them attracting new enrollments, and with their fundraising.
- Ability to take advantage of government subsidies and other grants  
School organizations should understand and be able to capitalize on government subsidies.

- Proximity to key markets  
Schools need to be located in areas within close proximity of large numbers of children.
- Having a good reputation  
Schools that have a good reputation for providing high education standards in a safe environment can benefit from higher student enrollments and funding levels.
- Availability of resource  
Schools that have a sufficient amount of resources and facilities are able to satisfy student needs. It is increasingly important for public schools to be able to access private funding to ensure sufficient resources and facilities are available.
- Proximity to transport  
Schools with a reliable and efficient transport network are able to attract greater numbers of students.

## Key Competitors

### PLAYER PERFORMANCE

No operator within this industry accounts for more than 1% of industry revenue or enrollments. This is due to the small regional nature of most of the operations within this industry. However, a discussion of a few smaller players with varying operation structures is useful, in order to understand the various types of institutions that operate within this industry.

### OTHER PLAYERS

#### **Nobel Learning Communities**

Nobel Learning Communities is a non sectarian for-profit provider of pay education. The company provides kindergarten to 12th Grade, however, their core business is preschools, elementary and middle schools. Within their operations they also provide schooling for challenged students and special purpose high schools. In 2007, the company operated 150 schools in 13 states with a capacity of 25,000 children. Their operations include Chesterbrook Academy, Merryhill School, Evergreen Academy and the Houston Learning Academy, as well as many others.

Over 2006 fiscal year, the company revenue grew by 1.7%. The growth was due to a rise in average tuition costs of 4% to 4.5%, however, tuition growth was offset by an average enrollment decline. The reduced enrollments were due to employee turnover, which reduced marketing and communication to potential customers. Over the 2006 fiscal year, the company acquired two more operations, opened an additional one, but closed two schools.

Over the first nine months of the 2007 fiscal year (end March 31, 2007), the company announced an operating income of \$6 million, up from \$5.5 million in the same time period in the previous year. The growth in operating profit was assisted by increasing revenue, which grew by 12.9% over the nine months to March 2007, up from the same time period the previous year. In December 2006, the company announced the acquisition of Discovery Isle Child Development Center Inc. based in San Diego County CA.

#### **Collegiate School Inc. (NY)**

Collegiate School (NY) is the oldest independent school in the US, established in 1628 by the Reformed Protestant Dutch Church. Now the school is non denominational and provides Kindergarten to 12th Grade education to boys only. They enroll roughly 1,553 students and employ 186 staff. The tuition ranges between \$14,660 and \$17,270 per year, which includes lunch, books, musical instrumental rentals and accident insurance. Their endowment totals \$38 million as at June 30, 2006. Hoovers.com estimates that the schools revenue totaled \$30.9 million in 2007.

#### **Dowling Catholic High School (Iowa)**

The Dowling Catholic High School is situated in Polk county, Iowa and provides secondary school education. The school was formed through the amalgamation of St Joseph Academy for girls (established in 1887) and Dowling High School for boys (established 1918) in 1972. Currently the school enrolls approximately 1,100 students. According to the school's website cost per pupil totals \$7,223. Tuition costs \$5,305 (representing 71% total cost) and parish contributes \$1,071 (15% of total cost). For members of a contributing parish, tuition costs \$5,142 and for non members tuition costs \$7,190. The school does also provide need-based and merit-based scholarships.

#### **Kamehameha Schools (Hawaii)**

Kamehameha School was established by Bernice Pauahi Bishop, the great grand daughter and last royal descendant of Kamehameha the Great. Kamehameha the Great conquered the Hawaiian Islands and helped preserve the

independence of the islands from 1810 to roughly 1898. The Boys school was established in 1887 and the Girls school in 1894. There are three campuses of the Kamehameha schools: Hawaii campus, Kea'am, Kapalama Campus, Honolulu, and the Main Campus, Pukalani. The Kapalama campus is the largest campus, with 3,200 students based there, including 550 boarders. Kamehameha's enrollment equals 6,550 students. Kamehameha has an enrollment policy that includes a preference for those with Hawaiian ancestry. This policy was challenged 2006, however, the racial enrollment policy was upheld.

Kamehameha Schools is the largest land owner in the State of Hawaii and they subsidize the cost of the education through income generated from leases of the land and investments. The Kamehameha Schools has the largest endowment of all private schools in the US with \$7.66 billion in trust in June 2006. Hoovers.com estimates that Kamehameha's revenue totaled \$52.2 million in 2007.

## Industry Performance

### CURRENT PERFORMANCE

Private schools account for about 11.1% of student numbers and account for roughly 9.1% of elementary and secondary schools revenue. Revenues and funding for private schools are received from tuition fees, private donations, religious groups, other sources and increasingly alumni donations. Although governments do not fund private schools, parents of private school students in some states are able to receive tax credits. In other states, a voucher system is in place in which governments assist parents in paying tuition fees of better quality schools, increasing the choice of affordable schools.

#### Revenue

Private Elementary and Secondary Schools industry revenue is forecast to have grow by 3.9% per annum over the five years to December 2007. Revenue is estimated to have totaled \$40.4 billion in 2002, which is expected to rise to \$48.9 billion in 2007.

#### Tuition

Industry revenue expansion over the current performance period is largely attributed to growth in tuition fees. The portion that tuition contributes to revenue varies depending on type and level of private school. For example, elementary Catholic school's tuition fees only contribute 60% to revenue, compared with 80% for secondary Catholic schools. However, on average 70% to 80% of industry revenue is earned through tuition fees.

Catholic schools have the lowest level of tuition fees, with some independent private schools charge as much as \$92,000 per year for boarding or upwards of \$20,000 per year for day schools. Subsequently, 44.4% of industry revenue was earned through non sectarian schools, despite non sectarian schools accounting for only 18% of industry enrollments.

Over the current performance period, IBISWorld estimates that average tuition for non sectarian schools increased at an average annualized rate between 2.4% and 3.3% depending on whether it was day or boarding school. In addition, Catholic tuition costs rose between 2% and 4.7% per annum over the five years to December 2007. Other religious schools tuition are also estimated to have grown strongly, growing by over 5% per annum over the five years of the current performance period. Average tuition fee growth, for all types of schools within this industry, largely contributed to industry revenue expansion.

Tuition growth was highest in the earlier years of the current performance period, which led to higher growth rates for industry revenue. However, towards the end of the current performance period, tuition fee growth declined, leading to drops in industry revenue growth. According to data from the National Association of Independent Schools (NAIS), average income from school students, day and boarding students, declined in real terms in 2006. However, it rebounded in the 2006-07 education year.

#### Enrollment

Enrollment is expected to have declined slightly over the current performance period, decreasing of 0.2% per year over the five years to December 2007. After growing strongly in 2001-02 enrollment in private schools is estimated to have declined in 2002-03 as the impacts of the economic downturn, affected families' ability to pay for private education. This constrained industry revenue growth in 2002, which dropped from 9.6% in 2001 to 4.8% in 2002, with the revenue growth slowing in 2003. Over the remaining four years of the current performance period, only 2005 suffered falls enrolment. However, enrollment growth was lower over the remaining years, which contributed to slower growth rates of industry revenue in the latter years of the current performance period.

### School Numbers (Establishments)

In addition to limited the growth in enrollments, the industry has also experienced moderate growth in the number of private schools operating. IBISWorld forecasts that the number of schools operating within this industry will grow by 0.1% per annum, increasing from 29,273 in 2002 to 29,417 in 2007. This shows that instead of increasing capacity and student enrollments, many within the industry have looked to improve the services they provide and rely on rises in tuition fees to support their growth.

The rate of growth in the number of schools was high in 2001 and 2002, but this was followed by negative growth in the following years (2003 to 2004). This slowdown is mainly attributed to the decline in enrollments over 2003, and drop in disposable income in 2003.

### Employment

During the 2002 to 2007 period, employment numbers in private elementary and secondary schools increased from 793,638 to a forecast 829,772 in 2007. These figures account for all school staff, including teachers, administrative staff, principals, maintenance staff, librarians, other managers, and other staff. This represents an average annual increase of 0.9% during the current performance period.

Over this time the National Center for Education Statistics estimates that the number of teachers in the private system grew by 0.8% per annum. This growth was faster than enrollment growth, which has led to a decline in the teacher/ pupil ratio. In 2002, there were 14.3 students per teacher, in 2007, this is expected to drop to 13.3 students per teacher. (Number of teachers shown below in table)

Most private institutions are better off when it comes to choosing teachers. In the public system teachers are assigned to schools at the school district level. This has resulted in some inexperienced teachers being placed in difficult schools, because many believe that teachers must earn the better classes and schools. In addition, the public school system has much more stringent rules and regulations regarding the qualifications needed to be a teacher than the private school system.

Teacher numbers in Private Schools

Year	Thousands Private	Percent Growth
2002	441	N/C
2003	442	0.2%
2004	441	-0.2%
2005	447	1.4%
2006*	454	1.6%
2007*	459	1.1%

Source: National Center for Education Statistics

Note: \*forecasts

### Wages

Wages make up a significant proportion of revenue within schools, due to the labor intensive nature of education. However, over the current performance period, the proportion of industry revenue that wages cost has been decreasing. In 2002, wages totaled \$21.04 billion (in 2006 constant dollars) or 52% of industry revenue. This increased to \$24.5 billion or 50.1% of industry revenue in 2007. The increase represents an average annualized growth of 3.1%.

Wages within private schools differ from public ones, with the National Catholic Education Association, stating that their lower cost per pupil education is in part due to the lower salary costs for teachers and staff. The average Catholic teacher's starting wage in Chicago is \$19,500 compared to the average State starting salary of \$29,600. It has even been claimed that state employed teachers earn more per hour than employees with similar educational and experience.

### **Competition with Public Schools**

One of the major reasons for growth in the industry and general demand for private school education is due to questions regarding the quality of the public education system. Increasingly US public schools are not performing at the same level as other OECD nations, even though in many cases the US Government spends more on its education system. In the last OECD publication ranking various countries education systems, the US came out above average in per student spending, however, below average for math ability.

### **Voucher System**

In response to issues of quality some States have established a voucher system, to introduce market characteristics into the public school system. In 2005, Ohio and Utah introduced a voucher system. This system gives the student a school voucher that can be used to cover tuition fees at any school, public or private (most often non religious private schools), thereby giving increased choice to parents. Milton Friedman first came up with this idea of a voucher system, to force the public education system to become more efficient through increased competition. The voucher system benefits some establishments within this industry (mainly non sectarian schools), as it makes private school education more affordable by those in receipt of the vouchers.

The voucher system though has had limited popularity, with legislation in many states being either overruled by the courts or simply politically stopped. In 2005, Wisconsin, South Carolina, Arizona and Texas defeated voucher legislation. Many of the opponents of the voucher system say that the education is too important to leave to market forces. However, some sort of parent choice legislation, though had been passed in 32 states in February 2001. In 2007, a lawsuit was filed by the parents of 12 children in against the New Jersey State Government for not providing proper education to their children. They claim the voucher system could have assisted the choice in school and therefore allowed them to choose a proper education for their children.

### **Tax Credits for Private Schools**

Several states have also provided tax credits for households that have students enrolled in private schools. This increases parental choice, when deciding whether to send their children to private or public schools. This has benefited many schools operating within this industry again, as it reduces the cost of the private school education to families within these states.

## **HISTORICAL PERFORMANCE**

Education within American society is held in great regard and because of this elementary and secondary education is an important part of American society. Originally the first schools established within the US were private schools. It was not until the 1830s that the movement to establish schools that were government funded started. This movement led to the establishment of many schools across the US that were government funded (mostly funded by regional and local governments).

In the 1880s, after increasing catholic migration to the US, Catholic leaders called for the establishment of Catholic schools. This was in response to what they believed was Protestant bias in the public education system. Over the next 40 years the number of catholic schools grew; however, it was not until an Oregon court ruled that children did not have to

attend a public school in 1925 that Catholic school enrollment really expanded. According to the National Center for Education Statistics, the number of students enrolled in catholic school system in the Fall of 1960 was 5.25 million.

Since the 1960s, the number of students enrolling in catholic schools has been declining. The decline is due to many societal changes, including the secularization of the public school system and the increasing desire from Catholic families to give their children a more mainstream education.

However, offsetting the declining number of catholic school students was the increasing establishment of conservative Christian schools. This again was in response to the increasing secularization of public education, which helped maintain a fairly stable level of private school enrollments.

In the 1996-97 academic year, there were 5.94 million students enrolled in private elementary and secondary schools. Over the five years to December 2002, IBISWorld estimates that enrollment grew by 0.9% per annum, to reach 6.22 million students in 2002. The growth in enrollment supported industry expansion, which saw industry revenue growing by an average of 7.5% per year over the five years to December 2002. Over this time industry value-added is estimated to have grown by 7.8% per annum, with wages growing by 7.3% per annum.

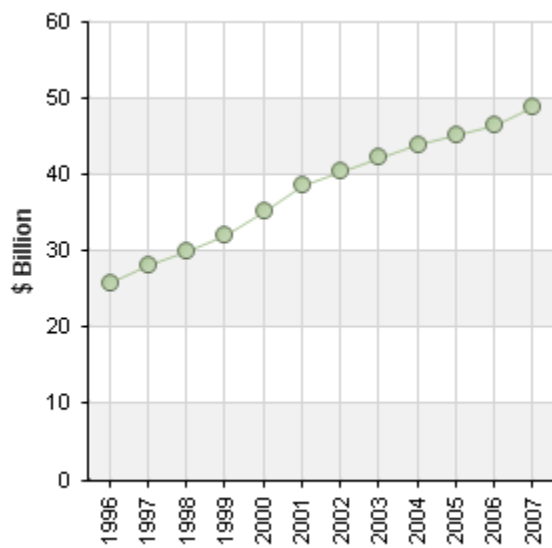
Despite the large growth in industry revenue, the number of schools operating within this industry only grew by 1% per annum, from 27,852 in 1997 to 29,273 in 2002. However, employment grew from 639,594 in 1997 to 793,638 in 2002, representing growth of 4.4% per annum. IBISWorld believes that this was due to schools increasing their capacity and operations. There was limited growth in the number of new entrants into this industry, due to the high costs of establishing a new school.

Over the last two decades, community perception about private schools has been changing. Where most in society once thought private schools to be for wealthy society and religious families, now many see private schools as a viable alternative to families that are disappointed with the education provided by public schools.

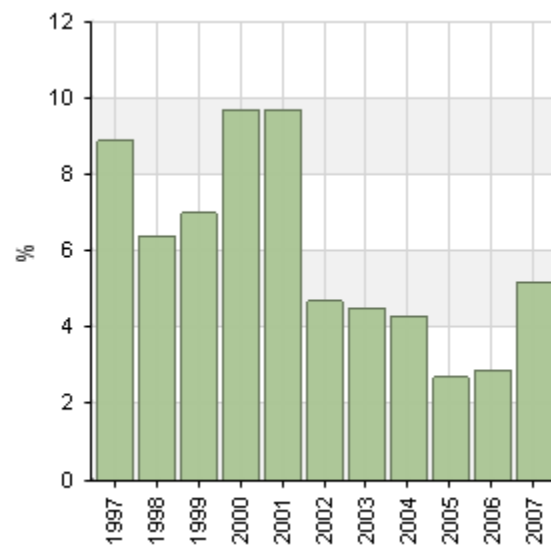
#### Revenue

	Revenue \$ Billion	Growth %
1996	25.9	N/A
1997	28.2	8.9
1998	30.0	6.4
1999	32.1	7.0
2000	35.2	9.7
2001	38.6	9.7
2002	40.4	4.7
2003	42.2	4.5
2004	44.0	4.3
2005	45.2	2.7
2006	46.5	2.9
2007	48.9	5.2

Revenue



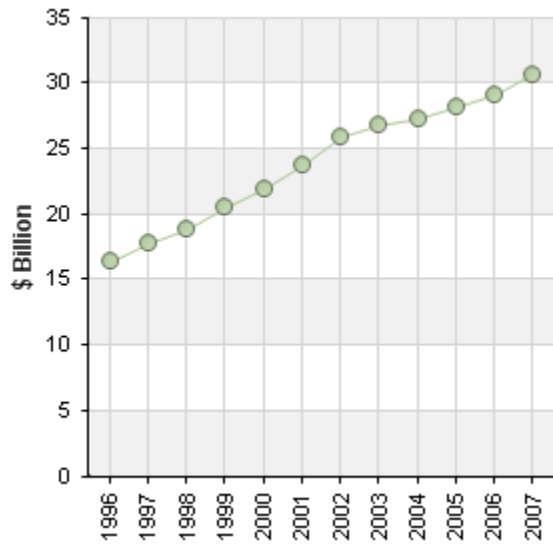
Revenue Growth Rate



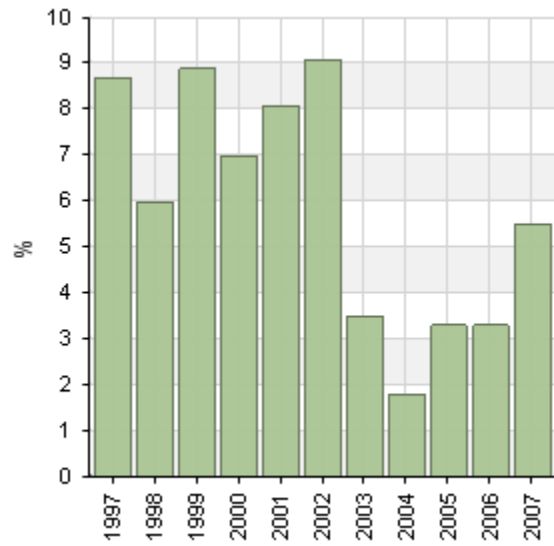
Gross Product

	Gross Product \$ Billion	Growth %
1996	16.4	N/A
1997	17.8	8.7
1998	18.8	6.0
1999	20.5	8.9
2000	22.0	7.0
2001	23.7	8.1
2002	25.9	9.1
2003	26.8	3.5
2004	27.3	1.8
2005	28.2	3.3
2006	29.1	3.3
2007	30.7	5.5

Gross Product



Gross Product Growth Rate

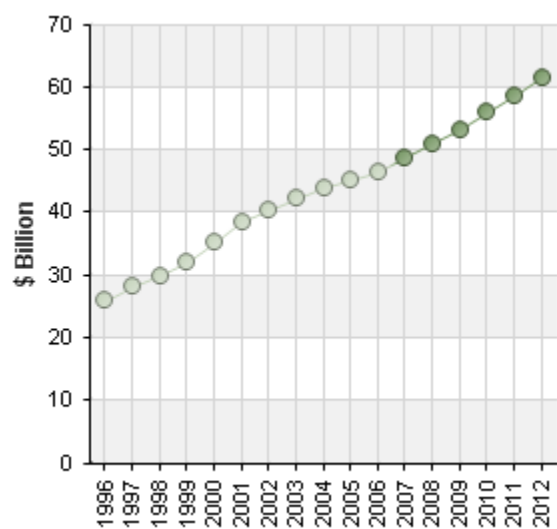


## Outlook

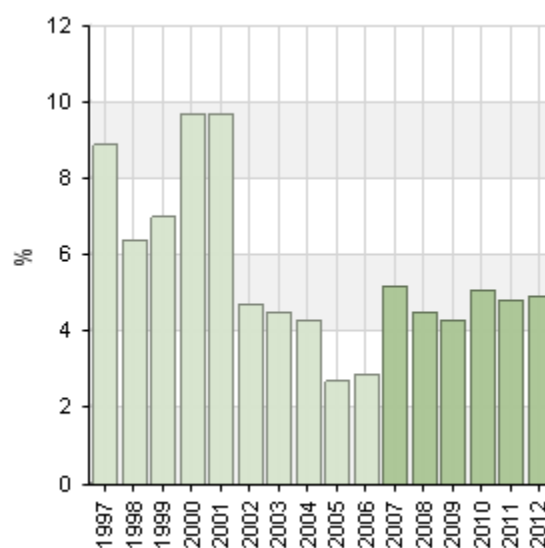
### Revenue

	Revenue \$ Billion	Growth %
2007	48.9	5.2
2008	51.1	4.5
2009	53.3	4.3
2010	56.0	5.1
2011	58.7	4.8
2012	61.6	4.9

### Revenue



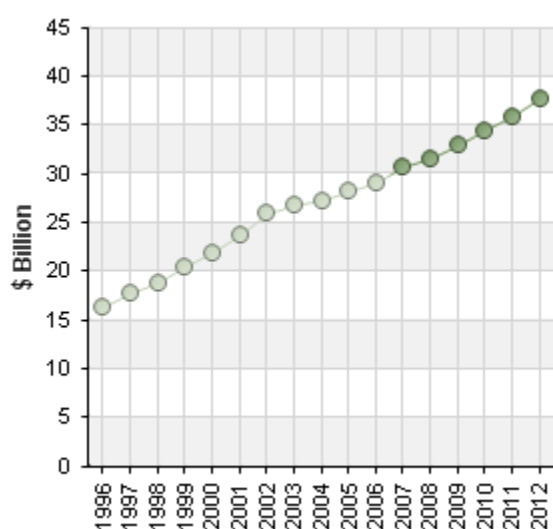
### Revenue Growth Rate



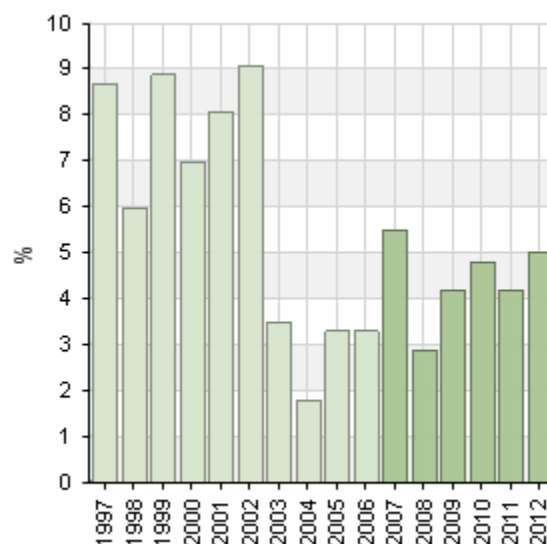
### Gross Product Growth

	Gross Product \$ Billion	Growth %
2007	30.7	5.5
2008	31.6	2.9
2009	32.9	4.2
2010	34.5	4.8
2011	35.9	4.2
2012	37.8	5.0

Gross Product



Gross Product Growth Rate



## Outlook

The outlook for private elementary and secondary schools in the US is good, as the quality of the public education system continues to be questioned both by the government and society. This will lead to higher demand for private education, enabling private schools to either expand their capacities or tuition fees. This is in addition to the underlying consistent demand that exists for private elementary and secondary schools.

IBISWorld estimates that industry revenue will grow by 4.7% per annum over the five years to December 31, 2012, increasing from \$48.9 million in 2007 to \$61.6 million in 2012. Industry value-added is expected to follow similar growth patterns to industry revenue, however, being assisted by rising tuition fees, but constrained by rising wages.

Over the coming five years, continuing issues surrounding the quality of the public education system may encourage growth in demand for a private school education. Revenue growth may also be assisted by government policies aimed at bringing market characteristics into the public elementary and secondary school system in the US.

The major segments of this industry are expected to grow at similar rates over the coming five years. Catholic school's revenue is forecast to grow by 4.2% per annum, with non-sectarian school's revenue expected to grow by 4.9% per annum and other religious schools to average growth of 4.7% per year.

## Quality of Public Schools System

The main driver of demand for private schools over the current performance period was the expanding concern over the quality of the public education system. This is expected to continue over the outlook period, increasing the demand for the services of this industry. Increasingly private school education is seen as a viable alternative to public school system, which gives parents more flexibility in the choice of their children's education. This will lead to higher demand for the services provided by this industry and will allow them to increase their tuition fees and expand their operations, assisting industry revenue growth.

## Enrollment

Enrollment is not expected to grow substantially over the outlook period, however, growth is expected to occur, unlike the previous five years. According to the National Center for Education Statistics, private school enrollment is forecast to grow

at an average annualized rate of 0.5% over the five years from 2007 to 2012. Despite the low growth in enrollment, it will still partly contribute to increasing industry revenue.

### **Government Choice Policies**

Governments at all levels are also increasingly concerned about the quality of the public school system. In response some State Governments are looking to increase parental choice of schooling and incorporate market characteristics into public school system. This is aimed at improving the efficiency, productivity and quality of the public system. There are various ways that states are looking to incorporate market characteristics, one such way is through the voucher system.

Currently, there is much debate surrounding the use of vouchers and the success of voucher legislation has been varied. However, if it does succeed, private schools will benefit from increased demand for their services. More generally, IBISWorld expects that parental choice policy will continue in some form in most states over the outlook period. Current issues surrounding choice policy, such as the lack of a better choice in some regions, will have to be attended to. Over the outlook period though, this is expected to support increased demand for private schooling. In addition to increasing demand for a private school education, changes in government policies may lead to higher levels of government funding for schools within this industry. Increasing demand and rising government funding, will result in higher industry revenue over the outlook period.

### **Tuition**

With the advent governmental policies increasing parental choice and continuing issues surrounding the quality of public education, will lead to increased demand for the services provided by this industry. Increasing demand will allow operators within the industry to raise their student fees, and subsequently their revenues. Growth in non-sectarian schools' tuition fees are forecast to be higher than the religiously based schools, as their tuition growth lagged over the current performance period. Over the current performance period, industry revenue growth was largely determined by rising tuition fees, which is expected to continue over the next five years.

### **School Numbers**

Private elementary and secondary school establishment numbers are expected to follow similar growth patterns to that of private school enrollment. IBISWorld forecasts that private school numbers will grow by 0.6% per annum over the five years to December 2012, growing from 29,417 in 2007 to 30,276 schools in 2012.

Stable growth is expected due to the cost of the establishing new schools, however, for-profit institutions are expected to grow at a faster rate than the industry average. They are also expected to expand in size over the outlook period, as they look to expand their capacity and increase their profits. Most religiously affiliated and not-for-profit schools do not have the same ambition to expand their capacity as for-profit schools do.

At the beginning of 2007, the Apollo Group, owner of the University of Phoenix, the largest online university in the US, announced that they had bought Insight Schools. Insight Schools is an institution that provides online secondary school education. This represents the large online education provider's first entry into the Private Secondary Schools market, which could be representative of things to come.

### **Employment Levels**

Employment is forecast to grow at an average annual rate of 1.9% between 2007 and 2012, rising from 829,772 in 2007 to 909,842 in 2012. Over this time the National Center for Education Statistics forecasts that the number of teachers in private schools will grow by 1% per annum. This will translate into the student teacher ratio falling to 14.8 students per teacher in 2012 from 15.3 in 2007.

Wage levels are expected to experience an average annualized growth of 3.9% over the outlook period to 2012. Wage growth is expected to drop in 2007, as the slowing of the US economy continues. However, growth is then expected to rise again, and remain at higher levels for the rest of the outlook period.

Over this time Catholic school wages are expected to grow at a slightly faster rate than public wages, as currently Catholic school teachers and staff are paid well below state rates. To retain effective teachers and staff the National Catholic Education Association has stated that they will have to decrease the gap between their wages and that of public employees.