

PUBLIC

THE PARLIAMENTARY STANDING COMMITTEE OF PUBLIC ACCOUNTS MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART, ON THURSDAY 22 AUGUST 2024

INQUIRY INTO THE UNIVERSITY OF TASMANIA (UTAS) FINANCIAL POSITION

The Committee met and the public hearing commenced at 9:30 am.

CHAIR (Ms Forrest) - Welcome, Rufus, and your team, to the Public Accounts Committee Inquiry into the UTAS Financial Position. The purpose of this inquiry is to help us understand the financial situation that UTAS is facing in light of a whole range of issues that feed into that. I know you want to make an opening statement and to provide us some slides to assist with the deliberation on this matter.

This is a public hearing. It is being transcribed by Hansard and broadcast as well. It is using voice-to-text, so if I can remind you at all to use your microphones, make sure they're relatively close to you, to ensure that we get an accurate transcription of what you say.

Everything you say today is covered by parliamentary privilege that may not extend outside the hearing. So be aware of that.

If there was anything of a confidential nature you wish to share with the committee, you can make that request to the committee and the committee would consider that. Otherwise, it's all in public session. We may need to call you back if we run out of time today to provide further information, and we may send questions on notice with some discussion across the table as to what we what we're asking of you. But we prefer to get as much information across the table now as we can.

Do you have any questions before we start? No?

Our members' names are here, but just in case you don't know people, this side: Simon Behrakis, Member for Clark; Mark Shelton, Member for Lyons; Bec Thomas, one of our newer members, for Elwick; myself, Ruth Forrest; and Josh Willie, Member for Clark now - used to be Elwick; and Luke Edmunds, Member for Pembroke. Simon is our secretary.

There's a statutory declaration in front of you, if you could all take that and then I'll invite you, Rufus, to make your opening remarks.

PROFESSOR RUFUS BLACK, VICE CHANCELLOR AND PRESIDENT OF UTAS; **Ms ALICIA LEIS**, DEPUTY CHANCELLOR, CHAIR OF THE UNIVERSITY COUNCIL'S AUDIT AND RISK COMMITTEE; **Mr CRAIG BARLING**, DEPUTY VICE-CHANCELLOR, STUDENT SERVICES AND OPERATIONS OF UTAS; **Mr BEN ROSE**, CHIEF FINANCIAL OFFICER OF UTAS; AND, **Ms JANE BEAUMONT**, UTAS GENERAL COUNSEL, WERE CALLED, MADE THE STATUTORY DECLARATION, AND WERE EXAMINED.

Prof BLACK - Thank you very much for the opportunity to explain the university's current financial picture. We always acknowledge, wherever we are, that we are on Aboriginal land, and pay our respects to elders past and present.

In setting a frame today, the overall picture we would like to set out seeks to provide the context in which the university's finances operate, because that context largely and substantially governs how the university performs. This is a moment in Australian higher education where we are undergoing the largest change it has seen, really, since the late 1980s and early 1990s. It is a transition from an era which has seen a rapid, market-driven growth of higher education in Australia over that period, including its substantial internationalisation.

We are now moving to a very different world of a managed system where it is a very low-growth environment, both on the domestic and international student front. A very different world to the one we have been in for a long time.

We, as a university, enter that world as a university with a very broad mission in which we have to teach, research and provide all our university offerings right across Tasmania. We see that mission, which defines our character and who we are as a university, is to serve Tasmania. To ensure it has the students, the skills, that it needs, the research that the state requires, in all of its places. That's at the core of who we are.

Under the way that higher education has been funded to date, that is a very high-cost mission, for which we have never been fully funded. The result is it's a very careful and delicate balancing act to ensure that we can sustain the university's finances, look after our staff and students and deliver that mission, and we'll unpack that, and our presentation does that, the details of it. The piece that always present has always in its entire history, in all funding schemes at the university's ever had, the challenge it is always presented us with is generating enough of a surplus to replenish our assets over time.

We have managed that task, to replenish our assets, by seeking assistance from Government, innovative finance and the prudent use of debt, and that's always meant that we have had to have - and have had - very good governance to ensure those long-term multi-generational tasks are well stewarded.

In the current environment, though, in a low-growth environment, those strategies that we've used to date aren't available in the way they were before. What that means for us as university is, to be long-term sustainable in this low-growth environment, where there isn't a substantial amount of capital to keep replenishment going, we need to see three things to ensure our financially sustainable future.

We need to see the recommendations that the Government is implementing out of a major review into higher education that was conducted called the Accord, which maps this set of changes. We need to see those implemented in full. We need to see the work on the Australian migration system as it affects international students implemented; and then we will need Government assistance for the next round of capital replenishment, which is a renewal of our STEM facilities in the south, or of the kind of core part of our STEM facilities; and we would need to make a contribution. So, we need some unencumbered assets in order to be able to do that.

That's the kind of nutshell picture of where we are at in our totality. The sector story, though, is a very, very important context, because that is redefining for all Australian universities their financial circumstances and doing it very substantially and, for some, in deeply challenging ways. It's worth us, kind of, being aware of the dramatic change that's

occurred in higher education that's taken us from that period in the late 1980s, early 1990s to today.

It has fundamentally changed the economics, finance, scale and nature of Australian universities. They have changed as our economy's changed, as our economy's gone from needing a fairly low number of students with higher education qualifications to one where a third or more of the population need higher education qualifications, and that grows all the time. Australia's had to educate a very much larger number of people. So, from back in the 1980s, when we had perhaps quarter of a million people in higher education, we now have more than three quarters of a million people. Where Australian universities were once about 10,000 people, they now heading towards 40,000 students on average in an average-size university. Some are even larger.

During that period, we've also seen the arrival of the internet at scale and that is also dramatically changed the way people attend university, and that's been an important part of making university accessible. So, around the nation, just short of a third of people study online, and then we've seen, as Government sought to fund it, dramatic growth in international students to help deal with that set of challenges.

If you look at the picture of how that's changed - and here you can see a picture of it - we've seen through this period of very dramatic growth from those days in the 1990s through to the late 2010s an enormous expansion of higher education that drove the economics of Australian universities. Year on year, you could do more and more. You had more and more students, funding increased year-on-year right through in total through that time.

However, we hit a point in the late 2010s where Government started to cap it, put a limit on the number of students, and essentially Australian higher education has had a flat number of domestic students really since the late 2010s. Now that period of growth did change the composition of Australian universities in really important ways. It saw a lot lower SES students particularly. We've seen that here in Tasmania. We saw indigenous students doubling their numbers, we saw the number of people with disabilities in universities increase, and a very dramatic expansion in regional on rural education.

But that expansion has come to an end, and it isn't just the Government capped it. Even if the Government hadn't capped it, we've reached a point where there is no latent demand left really in the Australian higher education 'market', if you want to characterise it that way. And that's really because we've hit a point where universities now, they accept pretty much everyone who is qualified to go to university now goes university. That is true here in Tasmania. In fact, there has been a downward pressure on universities because across the nation, since 2018 in both inner and outer regional areas, we have seen significant decline in the number of students completing school successfully. We have also seen a full employment economy with well-paid trades so there have been plenty of vocation opportunities where some of those folks might once have looked towards universities.

This is a very different world to the world that university finances were built on. At the same time as universities grew, the cost of Government grew at levels which Government struggled to sustain. Their solution to that, their growing total cost was, on the one hand, to reduce the amount universities got per student, meaning we got less and less each year from those early teens onwards, and to move more of the cost towards students, so their HECS

contribution has grown substantially from around 20 per cent to nearly 50 per cent of the cost of education.

As universities sought to manage that set of cost challenges, one of the ways in which they did that was to seek to grow their international student market, something which Australia has been distinctively successful at doing, a lot of innovation in universities that have delivered that.

As we entered that world, Australia also needed to expand the amount of research it did in order to meet an increasingly knowledge-intensive economy. Research is significantly underfunded in Australia and international students have played a very important role in funding research, the necessary cross-subsidies that are required in order to fund research when it is not fully funded by the Government.

Now that picture of international students hit the challenge when COVID arrived. COVID saw a dramatic decline in international student numbers across the country and as you can imagine, because you can see how dependent on them our finances were, that had a very substantial impact on university finances. As COVID came to an end, there had actually been a series of changes both in international migration settings and our domestic ones.

The international settings, which biggest changes were in China, has seen a very rapid rebound but actually only to a very small number of universities. Chinese policy changes have directed international students really to five major Australian universities who had then been able to leverage the scale of those students under our visa scheme to in fact then get students through a whole range of other countries.

That has accelerated so rapidly that Government has understandably wanted to bring international students into a more kind of planned migration system and now is proposing to cap it. We do not know what those caps will be, which creates a very high level of uncertainty in the sector and for some universities will present very serious challenges.

One of the big impacts of this has been for regional universities around the country. They have seen a significant drop in a very short time. The very recent changes came into effect in December [2023] after universities' budgets were set and it has been highly disruptive to the sector this year to suddenly have dramatically fewer students than you had planned on, that were budgeted for as a result of those measures. The Government is seeking to address that, but it has caused very significant financial challenges right around important part of the sector.

The other pieces, as we are in that world of the cost challenges that we need to be able to meet, is that as we have seen that growth and the change in the character of students, we have also seen a change in the profile of students. We have seen a much larger number of older students enter, a much larger number of part time students and a larger number of online students. That increases the per student cost quite significantly. When you have a part time student, while you still can have very large number of students they do not add up to the same amount of revenue. So, you are still having to manage the fact that you have a lot of students yet you do not have the same revenue per student to actually manage that.

That increases the cost significantly. Some people think online is cheaper. That is absolutely not true. In fact, it often significantly increases the costs where you have to provide on campus and online in order to meet the requirements that people, particularly those older

age cohorts, have to achieve access. If you did a simple, kind of a rough picture - just in the licences to maintain the software used to drive things online, it costs you about \$25 million versus \$10 million in just maintaining campuses. Online is not a cheaper option and that has increased the cost base for universities. We have a larger number but each of them is costing more and we get less per student and we have now caps on international students.

When we look ahead to the settings the sector now has, we really look ahead to a much flatter world of higher education. This is a world completely unlike the one that the sector has grown up with, really, since the 1990s, where we see a flat number of domestic students and very little growth once we have restoration of the cap number the Government will introduce, and a very flat number of international students. Basically, a capped domestic and capped international environment. That is a very different set of circumstances.

The university's Accord, which is this blueprint created for Government about the future of higher education and sets out long-term ambitions to see more Australians receive higher education - and we know how enormously important that will be to social inclusion and economic progress - it will take a long time for that to cut in. Almost all the growth will need to come through pathways programs.

The new funding scheme proposed under it - which is, if you like, a Gonski-like model for universities - will benefit the University of Tasmania. It's really important we receive it because, as a needs-based system, which also has a large category for rural and regional student funding, it will enable us to be better funded, more securely funded. However, we don't anticipate it will increase the total quantum of funding, because right now under the Higher Education Continuity Scheme, I guarantee we receive a higher level of per-student funding in practice. We don't anticipate that it will change it - it will just make the fact that we need that funding a much more secure feature of the system.

So, it won't fundamentally transform our economics, but it will make them more stable and predictable. It will mean that the underlying model that supports higher education in Australia will much better align to universities like Tasmania that play a pivotal role in the national mission of ensuring we create access equity for everyone in our community, in all places and for people of all backgrounds. That's something at the very heart of our mission and that we hold dearly - to ensure that all those students receive as good an education as you could receive anywhere in the nation, no matter where they are in Tasmania or whatever their background.

Chair, that sets the larger scene in which the University of Tasmania's finances work themselves out. I'll pause there to seek your questions and what further you'd like from me.

CHAIR - Just a point there, Rufus - you talked about your funding models and the reliance you've had on Government assistance. You said you're relying on Government assistance for the STEM facility. I assume that's from the Commonwealth Government?

Prof BLACK - Yes, although I would note in the renewal of the northern facilities, the State Government - indeed, local councils - made important contributions to that renewal.

CHAIR - What's your expectation for the STEM facility, then?

PUBLIC

Prof BLACK - The STEM facility, a renewed STEM facility - remember, we have been renewing parts of our STEM facilities over time. So, Medical Sciences has significant STEM capacity, our IMAS facilities on Salamanca have significant STEM capacities. We are investing ourselves in our STEM capacities at Taroona that support a lot of our marine work. So, this is the remaining core STEM activities. It would cost about, wherever you'd put it, about \$500 million. Right now, we could make no contribution to that. We would need Government to make a very large part of that contribution. Commonwealth does not make 100 per cent contributions, so there would be a need for a state-level contribution. At present, we don't have a set of assets that we can free up of that scale to make that contribution. That's where having unencumbered assets, as we've flagged, is a very important part of that process.

CHAIR - You're saying about \$500 million is required?

Prof BLACK - In total.

CHAIR - In total for all their STEM facilities? Does that include the new facility?

Prof BLACK - That's just the new facility. All the others are either paid for or we have a funding model for, like the STEM facility we're building at Taroona for our marine and aquaculture work. For the STEM work that goes on at Sandy Bay today, to bring that up to contemporary standards - which is vital for the state - that's \$500 million, approximately.

CHAIR - Is that regardless whether you build a new facility or whether you repurpose the existing facility?

Prof BLACK - Either way, that's essentially what it will cost you. If you are repurposing some of what we had at Sandy Bay, it's an enormous retrofit cost. Those buildings are extremely aged. They can, there are elements of them that are retrofittable, but even meeting the basic earthquake requirements, let alone access requirements, the modern kind of facilities that they need inside them is an enormously expensive process. So, wherever you do it and whether it is a combination of retrofit or new build or completely new build, it will cost in the order of \$500 million.

Mr WILLIE - I've got some questions. There's a bill before Parliament that would effectively freeze your assets and make it less likely that an investor would want to get involved when it's subject to approval to Parliament. Would it be your expectation that the State Government would contribute more if that bill is passed?

Prof BLACK - I think the challenge for the State is, we're well aware of the State's challenging finances. Where are the funds going to come from for a State level contribution to ensure those facilities happen? Now, we have obviously expressed some thoughts about how Sandy Bay could evolve particularly the areas above Churchill Avenue which are, you know, a very expansive set of areas there, which would be highly suitable and indeed mapped under the current draft of the Hobart City Council's precinct neighbourhood plan for Sandy Bay, maps that has opportunity for housing which is obviously much needed in Hobart which isn't the core of the university at all. The opportunity to realise value as part of that process would be one way that at a state level a contribution could be made, given how relatively challenged the State is to provide support.

Mr WILLIE - So I'll put it another way, if the State Government and the Parliament stays out of the way, your expectation would be that the State Government makes less of a contribution?

Prof BLACK - The University will be able to make a much more substantial contribution and universities around the world have always used their land. In fact, in America, they even call them land grant universities, where the way in which states were able to provide assets to universities to actually fulfil their long-term mission was to buy the land that they had. Universities utilising their land to ensure that they can fulfil these vital missions they have for their communities is a normal thing everywhere around the world. There's nothing exceptional about it. Obviously, it needs to occur in terms of appropriate process and planning and the city council has been sitting out actually to provide a planning framework for that to occur, which obviously we're very keen to work within planning frameworks that are provided for the evolution of Hobart.

Mr WILLIE - It's going to be very difficult to achieve funding at a federal level under the former coalition Government, you requested. I think it was about \$240 million for STEM that still hasn't been granted, so it's a challenging environment to achieve funding. If you have a State Government making it more difficult, you would expect them to contribute more to the project.

Prof BLACK - Well, if Tasmania wants STEM facilities, somebody needs to contribute. And you know, we would welcome the State Government making a sizeable contribution to it because it's critical to Tasmania's future. If you look at the kind of, you know, the report Saul Eslake has provided, he highlights just how important it is to lift the State's productivity. The single best lever at one of the single most powerful levers to lift productivity is to lift the size of your STEM workforce. If you lift it by just 1 per cent, that delivers a multi-billion dollar increase in over 20 or so years of actual income to the state. If you look at the difference it actually makes, it's huge, which are the future industries in Tasmania, and they require STEM knowledge. If you want to realise the agricultural output increase the state rightly aspires to have, a huge amount of that requires enormous investments in science in order to deliver that.

So really wherever you look in the State or you look across what are we going to do in renewable energy, where are the engineers going to come from for our renewable energy, managing our renewable energy growth or for managing Marinus. Where are they going to come from in order to ensure that we can sustainably develop the state, that we protect our environment and regenerate it along the way? These are all STEM occupations. If you look at where's advanced manufacturing coming from -

CHAIR - Yes, sorry to cut you off. I'll go to Simon, and I want to come back to this.

Mr BEHRAKIS - Thank you. I've got a couple of different lines of questioning, but on the student numbers, and the international students that we spoke about and mentioned earlier, as you said, this is a broader issue that's been seen around the country. What difficulties, or what is happening in Tasmania that potentially is unique to the University of Tasmania compared to the broader national economic movements? Are there any peculiarities?

Prof BLACK - Yes, the single peculiarity here is just how important they are. Tasmania is more dependent on international student migration to maintain a positive net migration than any other state. We have a larger category of people who come to Tasmania as international

students in our migration mix. They have been a vital part of even maintaining the demographic profile we've got and, as I think you know, multiple reports have highlighted Tasmania's demographic challenge is much greater than the rest of the nation. We are heading for natural population decline.

So, net migration is the only way we do it, and we're seeing, you know, the latest numbers, we are seeing net interstate migration out of the State once again. And, again, the only corrective to that is international migration, and students are the ideal category to have. They come here, they learn about Tasmania, they learn about Tasmanian businesses and practice. So, by the time they graduate, they are the near-perfect migrant.

Mr BEHRAKIS - Sorry, I wasn't talking about Tasmania broadly. I meant as far as the University of Tasmania compared to other universities, as far as the impact on the revenue base and business model.

Prof BLACK - No, it looks very similar to other regional universities that have had the - when the visa slowdown was created, the impact looks similar to others. Because we have had a modest number of international students, perhaps it has not been quite as grave as it has been for some who have had much larger views about how many international students they depended on. But, nevertheless, it is a very substantial impact. You would have seen that publicly in order to manage the cost impact we have had to slow down our rates of hiring staff very substantially. Really tight vacancy management in order to do that.

So, yes, it has had a very big impact, but similar to other regional universities.

Mr BEHRAKIS - Staffing was going to be another line of questioning but I can come back to that later. Still on the student numbers: I did my economics degree not that long ago at UTAS, and one of the things that we learned in the first year was the importance of diversifying your investment and revenue and what not. Looking back over the last eight or so years, and potentially we talk about the University of Tasmania and that sector generally, do you think that there's been a bit of a case where the business model geared itself towards being very reliant on the gold rush of international students and now we're in a situation where the business model for the university has become reliant on that golden goose and, now that's sort of either drying up or normalising, depending on how you want to that, it's put the sector in a bit of a dire situation?

Prof BLACK - Let me distinguish between ourselves and the sector. So, pre-COVID, we made a very explicit strategic decision to reduce our reliance financially on international students to make sure that our objective in having them was educational, because it actually does significantly improve education. If you've got a greater diversity of students in a class from a greater diversity of countries across your courses, that creates better higher education. That's really where we set out to do. We set out equally, very much in line with the thinking you're offering there, to diversify where our students came from.

We were significantly over-exposed to just one or two countries, one country particularly. So, we sought to have a modest number that we thought proposed the right kind of balance educationally for us and made an important financial contribution, but, you know, in a balanced way. You would have seen the numbers. We currently have about 10 per cent international students in our mix. The University of Melbourne has over 40 per cent; University of Sydney, it's around 50 per cent. These are completely different approaches. Those universities have

unquestionably become highly dependent on them, but they're highly dependent on them because the nation looks to universities to deliver its research future and it doesn't fully fund it.

The only place to meet the nation's research objectives that universities have been able to turn to has been international students. I publicly said, just the other day, that I thought that was a national risk. A very large portion of those students I am talking about are Chinese students. To basically have your national research scheme funded by students from a competitive nation does not seem to me a strategically smart thing as a country to be doing.

Now, I think as the Government is moving to introduce a capped and managed system of international students, it is presenting it with an opportunity to actually start to rebalance our national system. We do need to be aware as we do it, and this is why it is an important conversation in Tasmania as we do it, that is where a lot of the research funding has come from. So, we have to be very careful as we do that, that we do not damage the research you need for a knowledge intensive economy.

Mr BEHRAKIS - I have other questions on other things.

CHAIR - This is about international student revenues basically. It is really clear that the numbers have changed and the reasons behind that. Federal Government action may assist, but what is the time frame for that? Do we know?

Prof BLACK - We are anticipating next week to know what our cap number is, so the number we will be able to recruit to. The very important thing is that the cap is really only one element. Equally important, and for us the even more important reform is what happens to the visa processing system. The visa processing system at the moment is what has been used to slow down the numbers because there was not a cap. That needs very serious reform because it is actually what has caused the problem this year, it has been the way the Government has used the visa processing system.

Both pieces need simultaneous reform. The Commonwealth Government has signalled they will do simultaneous kind of reform with the introduction of a cap and visa processing system will be amended to enable us to achieve that cap. The visa processing system is governed by regulations, so Government has a degree of flexibility to manage that. The Minister can make changes to achieve that - it is a ministerial directive that set up the current scheme. That does mean that even if we get a positive outcome and we get a decent sized cap, which Tasmania really pressingly needs, and we get those changes, it still takes probably a good 18 months to rebuild an international student pipeline back to where we would otherwise have been.

CHAIR - I come to the point that part of the challenges that you are currently facing in your current financial calendar year, and certainly into the next one, is international student revenue. I was looking at some of the visa issues as you have just referred to and not being an expert in the field, I am happy to be corrected if I have misinterpreted it. I understand there is a risk rating level that sits with that and UTAS has been operating at a level 2 risk rating that has recently dropped to level 3.

Prof BLACK - I will explain how that works. The way the visa processing system works is that it has three risk rating levels and that really is how likely a student going through your system would get a visa.

CHAIR - That was pretty clear on the website.

Prof BLACK - To put it in practical terms, if you are coming from China, Chinese students represent very low risk. They get very low visa refusals. Why do they get very low visa refusals? This is because they almost all go back home at the end of their study: they present very little migration risk to Australia. As you get down into other countries, the level of risk goes up. Now the way universities are assessed is what is the mix of what levels of visa refusals is in your profile of students.

When we used to have Chinese students distributed across universities, this system worked reasonably well. However, when the policy change occurred in China that directed all Chinese students to just effectively five universities, a very high portion of them, then those universities had very large numbers of students who just had no issues with their visas. That enabled them to then take a much larger group from high-risk countries because their ratio stayed good because they had a very large number of Chinese students.

The reverse was true for all the rest of the universities where they lost their easy - their kind of guaranteed - so we were always a level 2 university- tier 2 university- because of the mix we chose to have of Chinese students versus other students to keep a balanced profile.

CHAIR - So, in the last year or so - I just want to get to the number of this -

Prof BLACK - Get to the level 3 piece? So, we then had to make a decision. This is the classic kind of volume, you know, how many international students did we need to have? And we did the maths, and the maths was it would be far better for us to be working hard to get international student numbers even if we dropped to level 3, and all that really meant was we were taking more students from places like India.

CHAIR - So have you dropped to level 3?

Prof BLACK - So we are at level 3 currently -

CHAIR - And when did you drop to level 3?

Prof BLACK - Craig can probably provide you with a date.

Mr BARLING - In the start of this year.

Prof BLACK - Start of this year.

CHAIR - Okay. So, when the budget was set for this year, was that on the assumption of being at risk level 3 or risk level 2?

Mr BARLING - At risk level 2. But -

CHAIR - So, you've made- just to be clear, you've established a budget on a rating that would see less refusals, but the reality is that you're already at level 3, which has high refusals.

Mr BARLING - Yes, I think if I can respond-

Prof BLACK - Please , do so.

Mr BARLING - I think the rating system - the Minister has flagged his desire to remove the section 107 direction, which establishes these 3 levels, because of the conflict it currently has with their migration policies.

If we go back to the chart that Rufus shared earlier, you can see that the migration settings, if you look at the line around the middle line, it's attracted about 250,000 to 260,000 net migration for a long time. It's bounced back. The settings they're looking to put in place is to keep that migration setting at 260,000, not drop it any further than what it actually currently is. Might be a little bit less, but not too much.

By putting that cap on migration and the rating system they have for the three universities, in conflict with the policies Rufus talked about from China, means that the rating system is no longer working for the Government in terms of allowing students in.

There has been very little difference between an EL2-rated university and an EL3-rated university for the time it takes for them to process applications from students from India, Sri Lanka, Bangladesh. There's been very little difference there. The fact is, the time is just too long. It's getting up above 48 days, and students just make another choice.

CHAIR - How many refusals have you had in the last two years, then - visa refusals - particularly in the last year, when you've been at risk rating 3, or whatever it's called?

Prof BLACK - The risk rating 3 is completely overwhelmed, though, by the Government actually changing the rate at which it's doing visa refusals. That's why the system has completely fallen apart, because when the Government in December decided that they would slow down migration using the visa system, they significantly increased the refusals and the processing time.

Effectively, the system is really non-functional at the moment because their rates of refusal are governed by trying to control the number of students that they have coming to Australia, not the intrinsic merits of these students. In fact, we've done a whole lot of analysis on the different kind of qualities of these students, and they're refusing students - some students who are exactly the same as ones that they're letting through. It's really a volume control that they're using. That's why the system is so broken at the moment -

CHAIR - Can you provide some of this modelling or anything to the Committee?

Prof BLACK - We certainly can.

CHAIR - I'm interested to see how it works. If I go back to the point though, in terms of financial management, is that you're budgeted for being at level 2 and you're at level 3. From what you've said earlier, Rufus, level 3 are more risky students in, acknowledging the failures of the system. Didn't that create a budget expectation of greater revenue from international students that wasn't likely going to be achieved?

Prof BLACK - No. The change that the Government introduced, even if we'd fallen - the team do very careful analysis. Even if we had fallen to level 3 this year, we still - if the

PUBLIC

Government hadn't changed the policies - would have had a better financial outcome than if we had not sought to grow our number of international students.

CHAIR - And your modelling shows you that, does it?

Prof BLACK - The modelling shows that. We can provide that modelling. It's quite deep: it's detailed, complex, risk-adjusted modelling. We don't make these decisions without -

CHAIR - Yes, and we need to provide an explainer with the modelling.

Mr BARLING - Yes, and we'll take the question on notice around the number of actual refusals. I don't know that number off the top of my head. I think this chart on page 26 of the pack we provided you, probably gives you the best demonstration of the impact this has had. The light green column there is the number of applications we've had from international students in 2019 versus 2024. We've had the same number of students internationally want to come to us. Just to be clear: international students want to come to the University of Tasmania just as much as they did pre-COVID. The fact is, our conversion rate -

CHAIR - That's right, more are being refused.

Mr BARLING - The conversion rate has gone from 18 per cent to 7 per cent, and that is basically almost entirely due to these new migration policies that were put in place in December - that has affected our student numbers dramatically. You're right, Chair - that has had a monumental impact on us financially. Our budget was approved in November and December last year. This rule came in in mid-December 2023. So, we had no ability to plan for this, and this has had a financial impact in 2024.

CHAIR - This year's budget that you're preparing now, what is the basis of that going forward?

Prof BLACK - We need to wait to see what the Government is setting the international student numbers at and what the visa changes are. Until we know that, we are in high level of uncertainty, because those changes will move our revenue by millions.

CHAIR - The Council was informed of the modelling and how it all looked?

Prof BLACK - Yes.

Ms LEIS - We've been looking at this quite closely along the way and having a very close look at the impact of this. To the point of the modelling, we've had a look at the forward forecast for the university for a significant amount of time now, including at Audit and Risk, Strategic Resourcing Committee, and at Council. We've been looking at that impact and therefore making the decisions that we've had to make around managing the cost profile of the university to cope with the uncertainty that the Vice Chancellor talked to. We have had significant work done with the management team on how we position this university for sustainability during this period of uncertainty.

Mr BARLING - If I can share a perspective of the impact this does have on us - on page 25 of the information we shared, you can see the profile of international revenue that this university has had, and the number of EFTSL (Equivalent Full-Time Student Load) over the

past 10 years. You can see that from 2014 through 2019 we had strong growth, and that was on the back of very positive migration policy settings, for Tasmania in particular. We had those policy settings, and that improved our international revenue. We still only sat at about 23 per cent or 24 per cent of international students - we're not recruiting them at the rates of some of our mainland counterparts. Subsequent to that - and the COVID impact is quite clear in this chart - but you get to 2024 and you can see we are at a very, very disadvantaged spot now.

That profile is largely reflected in our operating result, which is on a slide we shared on page 27, which shows you before 2014, our profit result was challenging. We get to 2019-20, you can see the positive financial results we are getting from these positive migration settings. Then you can see the subsequent impact from the fall in those international students, from a profit perspective. I can talk through that, if you would like me to.

CHAIR - I will come back to focus on that, particularly, when we get to that area.

Mr WILLIE - I was going to ask about visa trends, as well, although it's been covered. What I'm hearing is, we can expect a similar result or further deterioration because of the settings at a national level for this financial year?

Mr BARLING - We have to manage that. Our university needs to make a sustainable profit, because, as Rufus has articulated, we have a mission to deliver on. Having fewer student numbers mean we do need to talk about our cost base and how much cost we absorb as a university. We are starting to make those decisions, to deliver a budget. Our Council, our governing body, we have a ratings agency, Moody's, who also oversee our financial outcomes, have given us guidance around what they're wanting to see from our financial sustainability. We know we need to generate a profit of a certain amount to be able to maintain the breadth and extent of activities we operate over the state. We are working through that process now, around what next year's budget looks like, in the context of the uncertainty our Vice Chancellor just referenced.

Mr WILLIE - You've got certain fixed costs, though, that are unavoidable, so it's very challenging. My question is, how long can you sustain this, given the uncertain policy environment?

Prof BLACK - We know when the certainty is coming. We should, within the next week, hopefully, start to get certainty on international student direction. That's good. That enables us to start that planning process. Then we have, for our domestic student numbers, the Higher Education Continuity Guarantee that continues through until the end of next year. That's good, because that gives us a stable domestic revenue base.

In the course of next year, the Government has promised that it will be getting the new national regulator to be developing and setting out the future funding model in line with this needs-based scheme. Once we get the international student numbers, we can then plan, but the biggest thing we've got to plan for is the fact that we are now in a no-growth environment. The next 18 months are a challenging time, but we are very clear that as we manage that, we still have to deliver our mission for Tasmania. That's always been what's governed us is, how do we make sure we can deliver that? Once we get the international student numbers, we start to get a planning window we can work with.

Mr BARLING - And, I think, if I can make one additional comment to that, we're talking about the financial needs of the University around international students and we do need the state Government support in influencing policy like this. But I'd also add what the University actually does provide around international education for Tasmania. This institution is responsible for about 20 per cent of the State's net migration. So, one institution is responsible for a fifth of how many people come into this state from a migration perspective. If we're not influencing that higher education policy, that number is going to be impacted and everybody around this table would understand the level of population challenges Tasmania has.

We attract young people into this state. We need the State's help to help us influence these policies because, one, it's really important to our finances; two, it's really important for our diversity as a state and our industry; and third, it's actually really important to the state's productivity and outcomes from an economic perspective to have those extra people in the state.

Mr WILLIE - I've seen some of your commentary at a national level too. Potentially, once some of this policy environment is settled, it could be beneficial for UTAS in terms of dispersal, more certainty around your funding with the needs-based model, that'll make it easier to forecast. So, you're hoping to ride through this challenging period to that hopefully better environment.

Prof BLACK - Yes, we've been very supportive of the direction Government has taken.

CHAIR - Federal Government?

Prof BLACK - The Commonwealth Government, yes, we've been very supportive of the direction of the Commonwealth Government has taken. The review that they conducted, we were able to provide substantial input. In Tasmania, we're a unique university because we serve a whole jurisdiction. We have been able to provide Government with a picture of what it looks like when you are trying to meet the needs of a jurisdiction with some real challenges with well over 45 per cent of our population in the bottom SES quartile, very high levels of regional dispersion and so on.

So, the policy settings really do reflect the next step of important national development, which is to see all of those people who don't have access to higher education get access to it, and this is important for Tasmania. If you play for where all the economic projections are looking, by 2050 we need 80 per cent of our workforce with tertiary education in order to access the jobs that are there. If they can't access the jobs, inequality, which is severe in Tasmania, will continue to grow. We won't close the income gap to the rest of the nation. Education also links highly to health outcomes; we won't close the health outcomes gap. The set of policies the Government's putting in this Accord aims to tackle exactly those issues and to provide a funding model to support it.

That's why sometimes a little on our own we've been ready to say this makes sense for the nation but also makes sense for Tasmania. Our task is to keep the university's capabilities in good shape so that, as that new scheme comes in, we can take advantage of it. Things that we've done, which have been high-cost things, have really fitted well with that. You would have seen in our material how much it costs us to maintain our campuses in the north and the north-west. The new funding scheme says that's really - you know, it's \$40 million to

\$60 million a year for which we're not funded - that's vital if we are actually going to provide what those communities need.

Today's a good example. Today, in Launceston, we're graduating our first cohort of physios and speech therapists for Tasmania. They've all got jobs, but that's a \$7 million investment we are not funded to do in order to ensure Tasmania has physios and speechies which it desperately needs.

They're the kind of things that will be easier to do in the future world, and that's why we advocate for it. We think the state and the Government should be really loud about it and supporting it because that's really a better world for Tasmania. It's just we've got a really challenging period. We've had a challenging period since COVID, really challenging, and that's what we've got to navigate our way through.

Mr BARLING - As the person responsible for our finances in the institution, how do we balance that? Back to an earlier question - I encourage you to look at some of the slides that are in - slide 24 in particular - to understand how we've diversified the risk of this. Tasmania does have a shrinking population. We do have restrictions around international students.

The fact is we have more interstate students at this university than we do Tasmanian students. Most of those are online, but we are a major export industry. So, how have we diversified our financial risk? We've done that internationally; Ruth has talked about. But, from a domestic perspective, we have a major export market where we are teaching a lot of interstate students. We're now attracting more interstate students to Tasmania than we lose. That wasn't the case 10 years ago, and that is providing us with a bit of financial strength to mitigate some of the risks and the high-cost activities we do for Tasmania. We can't afford to run these courses for the number of students in Tasmania. We need the scale of the national marketplace to be able to make them sustainable, and that's something that we've done very successfully as you can see on page 24.

CHAIR - Can I just jump back a minute, in terms of a broader question perhaps about the basic legal structure of UTAS, so it's clear. This may seem obvious, but who owns it? Who owns UTAS?

Ms BEAUMONT - Like all public universities, it's a body corporate established by statute. That's its corporate name and it's owned by its members. If you look at the UTAS Act, you can see that the members are students, staff, council members. It's quite unique in terms of its structuring. Unlike what you would see down here in terms of a GBE and a SOC, it comes in and out of different frameworks.

CHAIR - Who is it responsible to under that legal framework?

Ms BEAUMONT - It's responsible to Council. Council is its ultimate governance. It's equivalent of a board.

CHAIR - Even though it's under a state statute.

Ms BEAUMONT - Yes.

Prof BLACK - It's also responsible to federal regulators. Most of what University has done is not regulated by State Governments. They're regulated by the Commonwealth, because they provide virtually all the funding for our universities and the regulatory environment that universities have is one of the most rigorous you find of any of any sector. TEQSA, the national regulator, regulates universities very closely. You'll see the very substantial set of standards that they set for universities that they monitor, we adhere to. And they then do a periodic, super detailed review of every university to ensure they're compliant with all of those. If people make complaints, they make them to TEQSA, TEQSA investigates those complaints.

CHAIR - What does TEQSA stand for, for the purposes of Hansard?

Prof BLACK - The Tertiary Education Quality and Standards Authority. It's a very substantial Government agency. We are also governed regulatorily, our international student activities, subject to a different act, which again is subject to detailed regulatory oversight. And then there's a whole series of other pieces of legislation. Jane can probably cover those.

Ms BEAUMONT - Is your question, Chair, more about where does oversight sit from a from a State perspective?

CHAIR - What I was going with, who does UTAS report to - whether it's a Council or somebody? Also, the relationship with the State, being as you're under a State statute, and the legal and practical aspects of that.

Ms BEAUMONT - Sure. The legal answer - it is the Council that is the overall reporting governance accountability. In terms of the State, we also have oversight from the Integrity Commission and the Ombudsman, so like GBE or a SOC down here. Then we report to the State Parliament in terms of our annual report, appearing through committees like this one today, and then we have informal and relationship management with ministers down here.

CHAIR - There's also the provision around your borrowings. Do you want to talk to that? This is where this focus of this Committee is around the financial. I'm just trying to establish the legal status first and then go for that part.

Ms BEAUMONT - The UTAS Act has been around since pre-World War I and the borrowing power is effectively the only part of the UTAS Act that puts some sort of legal requirement on the University to engage with the State Government. That's the legal framework. So, in terms of, for example, the green bonds that we entered into an early 2022, we went through a process of obtaining the Treasurer approval and then engaging with Treasury and entering into negotiations with Treasury and then going to market for the green bonds.

CHAIR - Have you got communication that indicates that engagement with the Treasurer?

Ms BEAUMONT - We do, yes.

CHAIR - Can you provide that to the committee?

Ms BEAUMONT - I absolutely can.

CHAIR - Keep going.

PUBLIC

Ms BEAUMONT - So, the short answer: that is the only part of the *University of Tasmania Act* that requires us to formally engage with any part of the Tasmanian Government.

CHAIR - Okay, so in the financials, I've just got to find - where you have the service concession assets, which is the -

Ms BEAUMONT - Student accommodation?

CHAIR - Student accommodation leaseback arrangements, which avoids borrowing in some respect. Was there any requirement to discuss that with the Treasurer?

Ms BEAUMONT - There was no requirement to discuss that with the Treasurer. We did discuss that with TASCORP, which was our lender at the time, because it's either characterised as debt or it's not, depending on what fragment we're talking about in what context. So, the student accommodation transaction is something that's common across the university sector. Essentially, it is treated as a concessional asset. We find a partner, we always own the student accommodation, we retain it for the 40-year time frame, we get a significant cash upfront amount, and then we are effectively selling the repayments to a partner. It's a model that's common within the higher education sector.

CHAIR - So, TASCORP's view that it shouldn't be recalled as a borrowing or debt, then, is that what you're saying?

Ms BEAUMONT - I know that we engage with TASCORP about the treatment of the concessional asset.

Mr BARLING - In terms of the financial statements, the accounting was required to be classified as debt, as far as the accounting standards are concerned. From the condition of borrowings - are you actually borrowing money from somebody - it wasn't included within the State Government's consideration. It is, by some other agencies like our Moody's rating agency, they do take it into account and they consider how our balance sheet operates.

CHAIR - Okay. So, have you got communication with TASCORP related to this? Do you need to engage with TASCORP about it?

Ms BEAUMONT - We have no formal requirement to engage with anyone on the State Government about the student accommodation transaction. We talked to TASCORP at the time because it was a way of informally notifying our then-lender about the transaction.

CHAIR - Is there any documentation of those interactions?

Ms BEAUMONT - I'll take it on notice, and we'll have a look and come back to you.

CHAIR - Okay, yes. I know it's not in the Tasmanian Government's reporting in the preliminary outcomes - they've listed for the first time the whole-of-Government radio network as a service concession liability. That's a significant number, and it's actually listed as less value - less than the cost. Surprisingly - not.

I've been going on for a long time. I am interested in how this applies with UTAS.

Prof BLACK - Craig, you might explain why we need to do things like that.

Mr BARLING - To bring it back to 'why did we do that?' - I think that's probably the essence of the question maybe, Chair. This is part of the challenge we have as a university in being able to replenish our assets. We don't generate enough surplus to be able to do it ourselves. We've had to enter into innovative and commercial ventures to try to help us get the asset replenishment we need.

You may remember there was a massive housing crisis. We had a crisis getting our students into housing back in the late teens. In consideration of that pain, the university undertook to try to work out how we could build more beds. This deal that we struck that Jane has described - and I won't talk through that detail - is what delivered us an extra 400 plus beds in Hobart city. They basically built that facility on our land for us. We contributed a little bit to it, but their contribution was the vast majority.

As we look at these types of arrangements, it's in the context of us as a university trying to make sure we can make the investments in what our students need, in what Tasmania needs, to be able to deliver on it. The accounting standard treatment is something that we could talk about for a long time, I suspect. That is what they require for us to put on our balance sheet.

CHAIR - 'They' being?

Mr BARLING - The accounting standards. That's what governs how that item is calculated.

CHAIR - I noted in the Government's reporting of the whole-of-Government radio network that that is included as a liability in the net debt calculation for the State. So, it applies differently to UTAS, is that what you're telling me?

Mr BARLING - My understanding, and Jane, is that - do you want to go? - is that our debt is only included on the State's balance sheet if it's taken with TASCORP.

Ms BEAUMONT - That's correct, yes. So, when we borrowed with TASCORP, we were part of the consolidated budget for the Tasmanian Government. But, other than borrowing with TASCORP, there is no impact on the State Government budget or balance sheet.

Mr BARLING - So, the State Government - as I understand it - balance sheet doesn't include the green bond amount, because that's not with TASCORP.

CHAIR - I'll go over to you Simon, and then I'll come back to reporting the financial position in a minute - financing themselves.

Mr BEHRAKIS - Thank you. Touching on staff, on page 93 of your annual report for 2023, you've got a bit of a breakdown for academic and non-academic staff. It looks like 2023 is the first year that non-academic staff costs have exceeded academic staff. Just wanting to get some wisdom around that trajectory and how that's been over the years leading up to now and also both sections have a line item for other employee related costs.

In 2022, it's for academic staff, it's \$1.5 million looks like. Then in 2023, that jumps up to \$3.1 million, which is disproportionate to all the other changes in that same year. Then the same line item for non-academic staff goes from \$1.1 million to \$6.4 million, which is a huge disproportionate even to the change in academic staff. What is that line item and why that huge increase?

Mr BARLING - I'll respond to the first part of that question about the academic and non-academic mix overall. Then I'll ask our CFO if you can look into the specific of that line item.

The trend around the whole sector - the sector is needing more support from non-academic staff to deliver academic services. We've experienced that trend, particularly through COVID, because there was a lot of things that needed to happen to support the university be able to deliver what it needed to. You think of putting every single course online within a six-month period - that took a level of effort and activity that needed some professional staff support.

We do benchmark ourselves against the sector as to how we operate from an academic and non-academic and we sit in a reasonable position in the sector. We're not at the top end; we're not at the bottom end. So, that dynamic has certainly evolved in the last few years. As we look to 2024, we did make some changes in 2023 that will get that that proportion back to where it probably has been in the past.

Mr BEHRAKIS - You're aiming at that trajectory?

Mr BARLING - It's generally a reasonable balance and so we did because of the influx of costs we had from a non-academic perspective through the COVID period. We have resettled that a little bit now in 2024. We did it in 2023, but you don't see the financial effect until the following year.

That's probably the general concept around that. I don't know if you've got any comments you want to make on the specific question or take that on notice.

Mr ROSE - If I could take that on notice, I will be able to get an answer very soon. I'm just confirming.

CHAIR - I might put something too that it could be, the under-payment of staff. There was a significant issue there and this would be potentially back pay.

Mr ROSE - That's just what I confirmed, confirming that it appears in that line in those financial statements.

Mr BEHRAKIS - If that's the case, why is the non-academic staffs almost twice what the -

Mr BARLING - I was going to guess, but you don't guess in this environment. The fact it was not academic versus non-academic suggests it would be redundancies that were due to the program I talked about in 2023 reduced our non-academic staff.

PUBLIC

Mr BEHRAKIS - Look, it'd be great if we talk about taking stuff on notice if we get a breakdown of what -

CHAIR - How much was back pay? How much was redundancy?

Mr BEHRAKIS - That as well but also, we've broken it down to academic and non-academic, but what the non-academic cohort looks like? How much is administrative? Do you have any breakdown? What's administrative? What's managerial? What's OHS or COVID related? What the actual makeup is and then that trajectory that you're talking about over time, it would be interesting if possible, as well.

It has been put to me, and this is obviously anecdotal, by some university staff who have spoken to me that in regards to the non-academic staff cohort, there's been - in their words - a hollowing out of administrative staff with the non-academic staff role being increased - a lot of highly paid managers that manage other managers and academic staff and that staff cost or the expenditure and non-academic staff is going up, academic staff at the same time being asked to perform administrative functions that they weren't being asked to perform before.

I appreciate that's anecdotal so I'm asking if you have any response to that, or any wisdom that you can impart in regard to that.

Mr BARLING - Yes, probably. We hear that same feedback. We also hear feedback when we remove professional staff sometimes, which we try not to do. We get complaints that we're not helping the service anymore as well.

The comment I'd make, that's probably pertinent to how we manage our finances, is that we were very aware of the fact that we had some changes we needed to make. That was the program for last year that was very much focused on reducing the number of senior management roles in our administration area to get that balance back to where it needed to be.

It was not about reducing the number of professional staff who directly support our academics. It is also important to understand our non-academic staff who do support the academics do a lot of academic type of things. They help with putting content online for our online delivery, they help with guiding students, they give advice to academics around various things, they help manage the curriculum and the architectures that exist around that. As much as they are classified as non-academic staff, that line blurs.

That analysis you have asked for will help give you an assessment of what is a true administrator right through to what is actually somebody working directly with an academic and actually help deliver content to students or helping deliver a research program.

Mr BEHRAKIS - Yes, and that is why it is important to know what 'non-academic' means.

Mr BARLING - We will give you those details. It is a very good question.

Mr BEHRAKIS - I have other lines of questioning, but I am happy to let other people go.

Ms THOMAS - On the same topic as what Simon asked, and I think you have answered it in your initial response. Simon talked about the cost of non-academic staff but also the ratio of equivalent full-time staff to equivalent full-time students which has been trending up slightly. I want to clarify that the response you gave, that explains that as well.

Mr BARLING - It does a little bit but obviously our student numbers, as you saw in the material, have dropped. That has been due to the migration policies and various other things we have talked about already, which I will not repeat. That is a ratio we do need to balance because that is what drives the profit for the university and that is the bit we are trying to balance right now. You would have seen that we have got some things in place like careful vacancy management that we are putting in place to help get that balance back.

The fact is, though, Australian universities run at a very high staff-to-student ratio, but is that the best experience for our students? Let us get back to our mission as a university. We are here to teach people and get them on their careers and their future pathways. A low staff-to-student ratio may not necessarily be a bad thing, it might be a better experience for the students. There is a direct balance in that. I think the sector in Australia runs at 1 to 28, it is almost 30 these days. There are other parts of the world that are one to 10. Have we got that balance right because our funding system is driving that behaviour, it is driving us to make sure we get scale into the classroom to make it viable for us to run those courses.

If you think about a university like us, we offer over 300 courses across the state. If we do not offer the course like physiotherapy, like Rufus just talked about, then students cannot study that while they are in Tasmania. We would not have the article we had on page 3 of *The Examiner* today without the fact that we sometimes have to make decisions around what we are going to subsidise and help in that regard.

We do watch that ratio really carefully and our governing body actually asks us a number of questions about it and monitor it actively. The fact is that we need to balance it.

Prof BLACK - Yes, it is one of the best ratios in the sector. It is not unlike what you get in a school at present and that is a product of what we do. To be economically viable, you actually need a slightly higher one than we currently have and the best way to get that is to get some more students, but it is one of the most attractive in the sector.

It is part of what makes us a really high-cost university. If we are going to teach in all these different locations and have people in the classroom, that goes to the heart of our balancing act of ensuring we deliver a great experience statewide but maintain our finances.

Normally, the basic economics of our class, if you go to the absolute core of it, if you do not have 25 or 30 students in front of you in a class, that is being subsidised from somewhere else. That is the difficulty, that is the basic that, if you do not have 25 to 30 students there, the cost of having that person in the class and all that it takes to support them to be in that class is not being covered.

CHAIR - That would be different within classroom as opposed to online according to your previous experience.

PUBLIC

Prof BLACK - It is actually very similar. The cost of delivering online and in person is very similar. Why the economics of online can be more attractive is you can get a larger number of students at least for us as a university, where physically we are constrained -

CHAIR - The cost of maintenance of delivering online education is much more.

Prof BLACK - It is high, when you think about it. An online unit, if you are creating a unique online unit, takes just as much time and effort and sometimes more because you are not there in the classroom with the student. You have to put a huge amount of work and effort into designing the content up the front end and you still have to actually look after those students. The amount of time you still have to spend engaging, interacting, correcting essays, doing all their marking and a bit depending on the forum, we have quite a lot of our online courses where we do have staff who are directly engaging with the kind of delivery of students that is the same as if you have got them going on in the class.

So, in lots of ways, this is the sort of the myth that online is somehow cheaper, is not the case. What online can give you is reach and scale. That's where for Tasmania it's been so important because we have had courses where we have been able to offer them online onto the mainland where we are a very successful online provider. But it's only by doing that that we can then afford to have less than one to 20 students, one academic to 20 students, in the classroom in Tasmania. If we didn't have all of that online in the nation, we wouldn't be able to do these, we wouldn't be able to do what we do in Tasmania. That's why in the modern world of complex university finances, we've got to seek, as Craig describes, this constant and delicate balance.

Mr BARLING - I'll just add one last point to give you because it's the essence of how you manage the viability of the university to a degree that the combination of academic dynamic and then the staff to student ratio. About over 300 courses, 67 per cent of our students sit in 30 of them. Now if you're a mainland university, you're starting to make decisions about those other 270 plus courses, whether you offer them because there are other universities down the road that do. We don't have that luxury. If we stop a course, we stop somebody coming to learn.

Ms THOMAS - That was going to be another question I had.

Ms LEIS - I could add there from a governance perspective that's the types of trade-offs that the Council is needing to think about in the long-term sustainability of the university. If you ask the council to be accountable, under the Act, for the university, we have to look at a range of trade-offs. What do you choose financially to ensure the long-term sustainability of the university? You can choose a range of things that we've been talking to today or we can ensure that our asset base is delivering the best it can to ensure that Tasmania has the courses that it needs.

Ms THOMAS - Thank you, that was going to be my question. Is that something that the Council is considering to respond to the sustainability issue, like cutting some courses? How would that be determined? Obviously look at data for numbers and projection of what future industry needs and particularly in the State. Also, would there be some level of consultation with the community in relation to any decisions like that?

Prof BLACK - That's a thing that management would bring to Council. Our approach is not to cut courses. What we need inside, you know, the really most basic economics of universities are driven at a unit level. What's the unit that you offer? A bunch of units add up to a course. What we need to make sure is that our units have the right scale of the right number of students in them, and that's a curricular design question. There are lots of ways you can deliver curricula. We need to make sure that our units have that 20-odd and, depending on whether we're delivering it regionally, Burnie or Launceston, we might have a slightly smaller number or slightly larger number in a unit delivered in Hobart.

That said, that unit level that we need to address it and the unit level piece is really important, not just for our finances but actually for our workloads. If you don't have that a balanced number of students in a class, then somebody else is either teaching more units or more students in order to cover that.

We need, and we've been very clear about it, to make sure we have sustainable workloads. Sustainable workloads and sustainable finances go together and that's about the kind of reform you do to make sure our curricula deliver what our students need in those courses but with units that have got an appropriate scale, and that we have an appropriate number of them relative to the staff we teach.

Staff to courses isn't really what matters. It's staff to units: that's really what they do. That's the piece that we're working really hard at the moment to make sure we get into the right shape and that enables us to offer a breadth of things but with viable units that are finally the driving piece of university's economics when you boil it all down.

Equally, it's from those units that the income also arrives that covers our research. Again, as we've highlighted, to our research in our research community, we need to be working to make sure as much of the cost of our research gets recovered through the grants that they get for it, which currently does not cover the full cost of our research by a long way. Or again, what you get is pressure back in our units for people to either be teaching too many units or too many students. So that's the core of trying to get this balance right.

We've talked a lot about students today, but we're also equally concerned about our staff. The kind of picture you've seen, the big macro financial picture you've seen, which is basically a Government artefact, that has made it really challenging inside universities. That's why we're really determined in this next year as we move into this managed year of universities to try to redress that balance.

CHAIR - You had a question about community engagement with some of this - did you want? - how do you ensure you're delivering what the community needs?

Ms THOMAS - Yes, thank you. I appreciate that the Council considers and management considers core part units rather than courses. The number that you referred to, Craig, was 323 courses in 2024 with two thirds of students enrolling just 30 of those, as was provided in the slides as well. What you're saying is it's actual units that management bring to the Council. In terms of what?

Prof BLACK - We bring both. Council doesn't sign off on the details of units or courses. In fact, that's one of the things we have an academic senate that ensures the academic quality of what we do. Part of our governance mechanism is that those parts of the work which are to

do with the quality of what we do, actually, Council - and it's structured by the Act - has a separate body in TEQSA. The national regulator requires us to do it that way, and that ensures that we've got peer academics reviewing the quality of what goes on. We're not asking Council members who may not have that expertise to engage in that process.

I would say an important part of it, and this goes to community piece, is our courses have advisory committees, which are an important structural way in which we get community soundings about what's occurring. But many of our courses, we have such direct relationships, if you think of all our health courses, we are so enmeshed in the healthcare system that we get feedback real-time about whether those courses are hitting the mark or not hitting the mark.

That has enabled us to be in healthcare, a really valued national healthcare provider, because we're super responsive. An important part of our economic is the healthcare that we deliver in New South Wales. That has occurred because being a very responsive Tasmanian healthcare system, the New South Wales healthcare system was looking for a provider that would - or parts of it - that could provide that level of responsiveness. The result of that is, we're the largest national provider of postgraduate nursing training in the country. That's again because of this constant responsiveness to what's needed.

Any time in Tasmania where there is a misalignment between what we're doing and what the professional community needs, we hear about it loud and clear. Quite often you hear about it publicly in a way that most universities never do. It makes us very attentive to doing it.

I think, if you look at our graduate outcomes, even the highest employment rates of students in the whole country, around the highest levels of income per student, of income students earn once they left the university in the country, they're very good measures of 'are we creating graduates that industry, community value, employ at very high levels, pay highly?' That's that very close relationship that you end up having in Tasmania. We do way better than many of the big group-of-eight type universities on these measures.

CHAIR - Have you got data that you could share with the Committee about the retention and the completion/attainment of all the students? Both international, domestic, Tasmanian, Australian - interstate, I suppose -

Prof BLACK - Yes. The key thing you need to adjust for when you look at those numbers is the level of disadvantage. The more people are going through the university with disadvantage, the more challenging retention rates are because of the financial challenges of doing it. You would have seen the Commonwealth Government just introduced this in the last week, the funding for payments of students who are doing in their prac places for nursing for -

CHAIR - And many other allied health, which is just disgraceful, but anyway.

Prof BLACK - Yes, but you can see if you're coming from - remembering that we've got short, almost 50 per cent of the State is in the bottom quartile, and 34 per cent of our Tasmanian students are much higher than most universities come from that bottom SES quartile. If they don't have things like those prac payments, there are many people who just don't complete. Not because they're not good students. In fact, one of the things that we are probably most proud of as a university is that our success rates of our students from our bottom quartile, our top SES quartile, are very close. They're not perfect yet, but they are really close. That is important.

CHAIR - If you can provide that data to the Committee, that would be helpful. Acknowledging the challenges, but that's a matter that needs to be addressed external to this process, in terms of helping those students to undertake their pracs financially sustainably, because it's a terrible thing.

Prof BLACK - Yes, and we've been very strong advocates for those changes, and that is why they are certainly very welcome.

Ms THOMAS - Chair, if I could just make sure it is captured with the inquiry, we talked about that ratio of EFT staff to FT students. Can you just tell us what it is for 2024?

Mr BARLING - I would have to assess that at the end of the year. We would be happy to provide that, but because it is full time equivalent, we need it to be the full year picture.

Ms THOMAS - What was it for 2023?

Mr BARLING - I cannot answer that at the top of my head so I will take that on notice if we can, please.

Ms THOMAS - If you could also provide, we could probably find it, the national average as well or some sort of comparative data?

Mr BARLING - The national average is hard to find; it might be a little bit out of date. We monitor against that, but it takes a little time for it to come through the system. We will certainly give you a picture. I think we get the essence of what you are wanting to see, which is a picture of what our student and staff profile looks like as a ratio compared to the sector over time.

Ms THOMAS - Thank you.

CHAIR - Is this a reply to it because I think Luke has one.

Mr BEHRAKIS - This is going back to the online courses.

Mr EDMUNDS - I can lead into that as well. I have a couple of quick ones. I was fascinated what you said, Craig, about having more mainland students than Tasmanians. I imagine that is a very competitive environment both online but also for people who want to study in person. Can you talk to the value in that 'recruiting race', so to speak, of the value of, say, the culture of the university having contemporary courses and units, but also contemporary facilities?

Mr BARLING - That is a great question. It is a highly competitive market. The whole nation is getting more mobile around higher education, students are moving more, it is not just our state, people say people are leaving Tasmania more, people are leaving South Australia more, and people are leaving Victoria and New South Wales more too. It is not just a Tasmanian dynamic. There are probably a few things that stand out in how we put ourselves into that market to make us most attractive, and remember a lot of it is online. The first of that is having a distinctive course. It is having a course that people can go and sometimes that can be something as distinctive as marine and Antarctic science, which we are great at, but other times it can be how we deliver the course.

Think of our education course. We now have over 500 EFTSL in our primary education course and a large number of those students are online because we deliver it in a certain way. Our psychology course, most universities offer one, we have a greater exposure to clinical practice in our course and so students are attracted to it.

We are on a platform called OUA [Open Universities Australia], which is a national platform for university courses. We are highly competitive on there around, first, the nature of our courses and, second, to another point, the experience our students are having. So, we rank in the top 10 per cent on OUA for the experience our students are having as well.

The facilities piece is critical: there is no doubt about it. We have seen the benefit, look at IMAS, it is a great example. We have had such success with marine and Antarctic and fisheries both from a research and a student perspective. The investment in that facility and now the investment we are making into Tarooma, is absolutely critical for that success. We are seeing increased numbers in the north-west. The investment the Government, State Government and Federal Government helped us make in that is now starting to be a fruit for a bunch of people who are now coming to learn, whether it be a course we already did, because we are more visible, or new courses like nursing and pharmacy, we are now operating in those new facilities. The facilities are both an attractor but also a facilitator for the right types of offerings in the regions.

There are quite a few factors at play there, but you have touched on probably the three key ones.

Mr EDMUNDS - Obviously the university is crucial to the entire Tasmanian economy and we have touched on that. Do you feel like the State itself is producing enough uni-ready grade 12s - or people, as we have seen through the data, into their 40s and 50s - who are able to be qualified for this huge expectation into the future of degree-qualified workers?

Prof BLACK - No, by a long way. The Accord identifies that by 2050 we need 90 per cent of our school students to be ready for tertiary education. Currently it is: low 50s is the number we are getting at TCE; we are getting an ATAR, which is not a bad proxy for 'Are you ready at least for university?' of 31 per cent, and, as you know, I have been quite public that has been in decline. Noting that, though it has been in decline around the country in regional settings, that is an enormous gap to where we are today.

Nine out of 10 new jobs are requiring tertiary education. When you think about the inequality gaps here in Tasmania - and the one I like to point to most is this life expectancy inequality gap between centre of Hobart-Bridgewater-Gagebrook, it is 20 years. Twenty years. So, that that is scandalously large.

At the core of our ability to close those gaps is education. There is no more powerful lever to do that than to close that gap. We see what it means for incomes, we see what it means for life expectancy, for health. So, we really need to see, and be publicly, hugely committed to the idea, that essentially every child who goes through school completes school, ready for the next step in their education. That is where the world is heading. It's where Australia is heading. It's where our economy is heading. If we do not adapt to that, we will fall even further behind.

The great thing about being this state is, with a single university, a school system where university and schools work really well together, a TAFE that we work really well together with, we can create an integrated education system that delivers what Tasmania needs. We all need to commit and believe that every child can make it, and we have every reason to believe they can.

Mr EDMUNDS - Thanks. Just one quick follow-up on that, and it's a bit of a data question, so you might have to take it on notice, or it might not even exist. Is there any data available that talks about whether younger Tasmanians who go to university on the mainland ever come back, and vice versa, retention of younger - or let's say students - who do move from the mainland to Tasmania and then stay?

Mr BARLING - Yes, the 'staying or coming back' is the hard bit in that question. We have the data on who leaves and who comes to us that we could provide to you over a long period of time. The one thing we have done that has helped us understand student movement a little better for Tasmanian students is the Schools Recommendation Program (SRP) that was introduced into year 12 through COVID, as a way of helping alleviate the stress on year 12s of that. That has allowed us to gain a lot more information around our students that we now hold, so we can track the students.

What we saw post-COVID, which was really quite startling - the number does jump around a little, because they'll put in their application with us through the SRP, we get the information. Now we're able to track them when they come back to us, and we saw through that period - I think there was one year, and I'll check this number - it was close to 20 per cent of students that left Tasmania came back.

That's our role. You know, there's nothing wrong with a student choosing to go to pursue something elsewhere - a course we don't offer, or a particular experience they want to have. What we want to make sure we are, as a university, is we are there for them if they want to learn and if they want to learn in Tasmania.

CHAIR - Coming back for post-grad or something like that, you're talking about?

Mr BARLING - Yes. There are some things - dentistry, we don't offer - there are things we don't do, but we need to be there for them. If they choose to go and want to come back, that's great news, too, and we're going to be there for them.

Mr EDMUNDS - In terms of graduates staying in the Tasmanian economy, do you keep that sort of data as well?

Mr BARLING - That's dependent on the students staying connected with us and updating their information. We do have a strong component of that, but I couldn't give you an accurate data sample of that, I'm sorry.

Mr SHELTON - Just quickly, Prof Black, you mentioned TAFE and your relationship with them. I'm a 25-year veteran of TAFE, if you like, and one of the issues in Tasmania is the education of everyone. It ebbs and flows. Over the last few years, with our unemployment rate down as low as 3.5 per cent and so on, and the TAFE side, the trade side, taking more and more because, as you mentioned in your introduction, tradies are getting more money, some of the

prospective university students have taken the option of getting out there and working for a living and earning some money and putting it in their pocket.

My question is, first of all, the relationship with the high schools and how you go about promoting university. For a long time, I've always argued that we don't have enough heroes out of university who are talked about, particularly in regional communities - and connecting schools with local heroes who have come through the higher education system -

CHAIR - Let's keep this tight. It's not really related directly to the financial situation.

Mr SHELTON - Yes. So, the relationship between high schools and convincing those kids that they need to move on and get a higher education?

Prof BLACK - Yes. We have an extensive schools engagement team who work directly with our schools to create that awareness and those pathways for students. That's a very important part of what we do, and we value our relationships with our individual schools greatly.

Mr SHELTON - Okay. One more quick question, and that is around - we're here talking about your finances, and you mentioned there's no difference in online courses, they're just as expensive. I certainly can concur that initially online courses take a lot of money to put them together, and so on. Wouldn't your finances improve over the years to come, because the bulk of the work on online courses has already been done and, apart from the maintenance and the upgrading, the bulk of that work and expenses have already been invested in the online training and, therefore, efficiencies will be gained from that over the years?

Prof BLACK - Online courses and in-classroom courses need to be updated at the same rate. Knowledge changes, however you are delivering it, at the same rate. So, the update costs remain the same, and sometimes they are greater. It's often easy to switch around what you're doing for an in-class course than it is to be reloading up into online platforms. It can actually be easy to upgrade for a class.

As I said, the thing that is advantageous for us - which is why the economics of online is important - is you can add scale. You can bring down the per unit, the per student cost of that course, because you can create scale. That's what we have done with our mainland offerings. The basic provision of it is a very similar cost, but the scalability is where you get the benefit.

Mr BEHRAKIS - Just on that, I suppose at the same time a high proportion of online students, compared to face-to-face, you're not having to worry about parking facilities and building lecture theatres and maintaining lecture theatres and the like. There's that cost factor, as well. On that, I think it was about 2021, there was that announcement that was much discussed about moving away from face-to-face lectures. Since then, has there been an increased proportion of the students being online?

Prof BLACK - No, it was very unfortunate the way that was communicated or played back, frankly, misrepresented in the media. It was not the purpose of it at all. What we actually wanted was to have - given we have a low staff-to-student ratio, 1-to-20ish - we wanted to have more students spending more time actively engaging with their teaching staff in the classroom. If you can get the knowledge you need to turn up, in this day and age, that comes as reading, viewing a lecture online, or components of lectures online, whatever the mix is, that enables

you to spend more time in the classroom. That is not online. We have given flexibility to various parts of the university that wanted to switch that model up and around because it suited the way they wanted to teach. In this day and age, students, the digital natives particularly, are getting the basic things they need in all sorts of digital formats.

What we want to really prioritise is the human engagement. We don't want that to be about just downloading information. We want that to be as rich an exchange as possible between students and each other and their teaching staff, because we know that's where the magic happens. That's where the learning really occurs - active learning. Passive learning is okay, but there is nothing like active learning, when you are being constructively engaged. That's really what the opportunity looks like. Online is where we are doing all of the above. We are providing the content, the engagement, everything, in an online environment. Different worlds.

Mr BEHRAKIS - To take that point, and maybe to separate the two things, has there been a proportional increase in online students compared to face-to-face, separate from that?

Prof BLACK - Yes, over time, and it is a national trend. What a lot of that reflects is the changing demographics. If you are an older student working part-time, those students, on average, will prefer to do things online because they can fit it in within their life. We would also note that COVID did produce some younger people who also want to engage online at a slightly higher rate than was the case before that. It is a general trend. However, we are a university deeply committed to delivering education in person, in place. That's why we have invested our facilities in the north and the north-west, in the renewal of the ones we've done in Hobart. We fundamentally believe in getting kids, young people - all people, because they're not just young people anymore - in the class learning in person, if that's their choice.

Mr BEHRAKIS - Just to follow up on that, because I wasn't at university that long ago, but it was still seen as the norm that you went face-to-face, and online was if you couldn't make that work. If taking an online degree becomes more and more normalised and more and more people choose to do their degrees online. You mentioned before, it's an obvious truth that you are the only university in Tasmania. If there's a normalisation and an increase in people taking online courses for numerous reasons, does that then open those students up to the wider market of universities?

And if I can, as a student, choose, I can sit in my house in Newtown, I can do a degree with UTAS or I can do a degree with Monash or with whoever else at that point. What's the comparative advantage in studying at UTAS versus other universities as a Tasmanian whereas before it was the only university in Tasmania?

Prof BLACK - Yes, we face that really directly and we win in the online space because the quality in those online programs that are competing nationally. That's what Craig was highlighting - you might want to give a few more numbers on this - that's where we win because we actually are really good at doing that. Part of our distinctive advantages come from the fact that, in order to meet the needs of Tasmanians who can't make it to a campus, we've had to become good at that. Therefore, it's become a competitive advantage which we're likely be able to retain because we've now got scale doing it and we've got exceptional people who do it and deliver it.

We want to always provide choice. We have no fear that there will not always be a significant cohort of Tasmanians who want to come on campus and do it in person. That's because they're all sorts of things you can only do when you're in person. You build relationships with people you engage with, people who are doing different things to what you're doing, you participate in all the terrific extracurricular activities that students do.

Those will always be really valuable things that people seek in addition to going to class and they really matter, they're really valuable. They're important for building social capital that helps us tackle the inequality challenges. So, we're confident both of those universes will exist. When you think that much of the growth of higher education to come will actually come in these cohorts, for whom school wasn't successful, a fair bit of it will continue to come in an online space. That will be really important so that those people can get the economic opportunities they will need.

Mr BEHRAKIS - I'd love to do a deep dive on the benefits of campus interaction and all that. Sticking to the financial stuff, and to clarify, you would say that the students that you're getting from interstate joining the online courses, exceeds the students that we potentially are losing to other -

Mr BARLING - Categorically. It is the numbers here. We can get that data for you to show you how we lose because that does get tracked. You've only got to see we're getting 7,500 to 8,000 interstate students every year, that's full time equivalent too, I'm pretty sure. We are the fourth biggest online provider in this country. We outperform other universities on OUA, the national platform where it is shared.

If we weren't doing this, our viability would absolutely be in question because of the range of services we offer across the State. This is a really important market for us. The more competitive the better. There are only so many people in Tasmania. There's 30-odd million elsewhere that we can attract. That's an advantage for us.

I am keen to bring it back to the terms of reference to dispel the rumour around IT or online being cheaper. Rufus mentioned the fact around licences and 25 million versus 10 to 15 a year for our maintenance of our campuses. I'll give you another example to make the point probably clearer. We replaced the student system a few years ago that cost us \$34 million. That's nearly twice as much as the cost to build the library in Launceston. It's almost as much in real terms as IMAS. So, I am really keen to make sure, when you look at our finances, we don't break them down like that necessarily, because our students have both online and on-campus delivery- now a lot of them, it's not an either/or, it's quite often a blended.

So, we can't break our numbers down anymore to differentiate it, but we know that online costs a lot to offer, but we know it's important to students being able to access education.

Mr WILLIE - Just on the cost, is it more of an upfront cost and over time it becomes more economic?

CHAIR - I think we did address some of that.

Mr BARLING - Yes, that's more scale. So, the scale is bit important there. If there's an online content that a student goes to that feels like it was from 2022, they will tell us just as

quickly as an on-campus student will. We have to update our courses online like we do on campus.

CHAIR - Can we go to the financials perhaps? Let us go to slide 29, I think it is.

I am just trying to understand exactly where your figures come from for this and what is included in your EBITDA figure of one, because it looks like that is possibly from the cash flows, rather -

Mr ROSE - EBITDA, just to explain to everyone who is not familiar with this, it is earnings before interest, tax, depreciation and amortisation. It is commonly used as a proxy for cash you generate from your business. That is what EBITDA is commonly referred to.

We have focused on EBITDA internally a lot. It is a figure that we use to set our targets and manage internally. You can see on the slide that was presented there that there is that line halfway down: Cash Operating Result EBITDA \$1 million. That is what we call our operating EBITDA. That is effectively the figure that we manage when we report internally. That reflects what we call our core operations and our teaching, learning and our operating funded research -

CHAIR - Does not include interest?

Mr ROSE - Does not include interest. In the financial statements, in the cash flow from operations, they are proxies for each other, but they are not exactly the same thing. So, the cashflow from operations in the cash flow statements -

CHAIR - So, using the accrual method, how would your EBITDA change?

Mr ROSE - That is using the accrual method, the EBITDA on the screen there -

CHAIR - Are you not using a cash figure?

Mr ROSE - They are proxies for each other. The way accruals work is usually, it is a timing matter and quite often what you find is you have accruals one year and accruals the next and they will effectively be the same number and effectively they wash out.

Mr BARLING - And I think, 'Why do we use EBITDA?' - because the financial statements are the financial statements. They are governed by a set of accounting rules, which are really important to help people get consistency of understanding. EBITDA is largely used in monitoring financial performance. Moody's, our rating agency, use it. As has been said, it gives a good proxy throughout the year of what that cash operating result in our financial statements will look like, and it does reflect to us the core operations of our university. We use EBITDA internally. It is not necessarily directly and able to be reconciled to the dollar to that every month, but at the end of the year we do that exercise but the EBITDA is more the figure we use on an ongoing basis to help manage the university's financial performance.

CHAIR - I am not the accountant, so all due respect to those who are, but I understand the word 'earnings' in EBITDA, which is the 'E', refers to earnings on an accrual basis, not a cash basis, which is how you report this. Is that correct?

Mr BARLING - That is correct.

CHAIR - It seems to me that this does not quite reflect the true position. I know that the Council has been talking about this, as recorded in the minutes, for over the last year and concerned about the state.

Mr ROSE - If you look at the slide on the screen there, you can see that there is the core operating results, so the earnings number in the middle there - 49.3 with a red circle around it - that is the earnings number when we reported our performance report and our internal manager report. That is that core figure.

There are a bunch of things listed beneath that, some of which would impact EBITDA as it gets supported in the financial statements. There is a difference between internal management reporting and the financial statement reporting, because that is all inclusive.

CHAIR - In terms of these restructuring costs, movement of restricted funds, et cetera, there are a number of these, it seems to me, from a look at other information in your financials, and that there is money, or cash effectively, that is not available to you, provided for a research grant that has been provided in advance, scholarships, those sorts of things. I am interested whether you see a position currently, according to this, you don't have enough cash to deliver the mission of educating our students or the students that come to UTAS. If that is the case and that continues, because we know the budget was set on a slightly different expectation of international student numbers, what does that then mean?

Mr BARLING - I think we do have enough cash to deliver on our commitments. Rufus has described it as a delicate balancing act. I think we have given you a picture today of the complexity that exists particularly from an external funding perspective and also the cost pressures that we as a university incur as a university for this state that has that broad mission and wanting to make sure anybody in Tasmania who wants a higher education degree can have it with us.

There is a chart - I cannot get it directly here. Ben, you might like to get it - that clearly articulates our cash and investment position is enough to deliver on our capital commitments and our balance sheet is strong. There's no challenge with the amount of reserves we hold. Some universities use prepaid research grants to borrow against. We don't do that. We preserve them and we look after them. We preserve our scholarship funds and look after them.

CHAIR - We hope so.

Mr BARLING - We have enough money within the amount of the investment portfolio we run, plus the ability of other cash assets and other assets we hold, to deliver on our commitments. The slide is 42. What the challenge is that we've tried to articulate today as much as we are viable and our governing body takes a strong role in that, is that we can't replenish our assets without help. If you look in the pack, you'll see that there's a number of different projects that we've had that are successful for this state, up to nearly a billion dollars we've invested in the state from a capital construction perspective. Nearly every single one of them has needed external help and that's not going to change. So as much as we have enough money, we balance our books well and we are sustainable, we do need help when it comes to replenishing our assets.

Back to the earlier point, that is really important from a student attraction perspective, which hopefully from this presentation you've understood is critical to our financial future.

Prof BLACK - Perhaps to Ruth's question, we couldn't run the university on the base of those numbers year on year and nor are we intending to. That's not the plan.

CHAIR - That is good to hear.

Prof BLACK - But nor should it surprise anybody that those numbers are the way they are given the environment we've been navigating through. Our choice, we could have chosen not to have those numbers, but that would have meant cutting these things that at the core of what's delivering our mission or cutting staff in really dramatic ways. You're seeing that out of the universities, they're choosing to lose lots of staff. We've chosen not to do that. Now that means, and this is why good governance- I'll turn to Alicia in a moment to talk about that - really matters to actually have the courage as a university to navigate through difficult times and maintain your commitment to your mission as you reorganise how you financially work to make sure you are long term sustainable.

So, a single year snapshot does not represent the way the university has gone about the long-term task of ensuring that it is financially sustainable but also delivers its mission, because if we aim to deliver the numbers every single year, we would damage Tasmania and we're not prepared to do that. As a strong university with a strong balance sheet, we can manage through difficult times. We've done that before, we're doing it now.

CHAIR - I don't disagree. The budgets were set on a higher expectation: just an acknowledgement that this is a transition period, I am not disputing any of that. How does it look for the next year that is 2024, sorry 2025 year? How do the figures look for this year and then 2025?

Prof BLACK - Until we know the international student numbers, you can't have detailed forecasts. I mean these will change it by many millions as to what it would be. Within a few weeks we'll be able to crystallise that. But right now -

CHAIR - Maybe we might come back to you after there's some clarity on that.

Prof BLACK - Once we know what that international student picture looks like, we can give you a much better picture of what it will be.

Mr BARLING - Can I just make one comment though? We delivered to our budget last year, as much as Rufus said that's not an attractive number, it was a committed number that we had and we knew what we were absorbing and we knew we could. This year we've got a budget target of \$15 million. We're going to hit that number. The years have far enough progress where we are within range of hitting that number. The year before that we hit our budget and there's been all these revenue challenges every year for this university for three or four years. So just really want to make the statement that as much as the numbers look challenging because they are because of the context which Rufus is given, we are managing the university to the budgets we set with our governing body.

Mr LEIS - I will comment on that, Chair, if I can, because Council has been very cognisant of these challenges that we have. If you look at the way we've constructed that, the way we're looking at it from a counselling governance perspective is the core operating result of EBITDA has to be at a certain level to sustain the long-term capital requirements of the university for long term sustainability. So, from a Council perspective, we are driving

parameters around our financial performance that requires us to get to a positive EBITDA and budget target as Craig has outlined. That is critically important for us.

The other part that's really important for us in trying to navigate this is if you ask us, what do we want to do? Do we want to manage short-term cost to deal with this challenge or do we want to activate the balance sheet to ensure that we can do this in a long-term sustainable way that positions this university for the future of Tasmania? That is what we're looking at also. So, the governing council has put in parameters around cost management to manage the short term in light of the inherent risk around the funding and the revenue sources. But we are also looking - and this is the challenge that we've really got to have front and centre - is what does the balance sheet look like and how do we make sure that that is activated and utilised to ensure the long-term sustainability of the university?

CHAIR - Can I just go to slide 38. It refers there to the Moody's credit rating that's been affirmed on 5 August [2024]. Obviously that rating takes this situation, if you like, into account. Are you able to provide the advice that you get from Moody's in relation to this rating?

Mr BARLING - Moody's released their report, that's publicly available.

CHAIR - Oh, is it? Where is it available?

Mr BARLING - Yes.

Mr ROSE - On the Moody's website. You do need to subscribe to get their reports, so we can share them.

CHAIR - Are you able to provide a copy? I'm sure you are supposed to subscribe, and I don't need to.

Mr ROSE - We can get it for you, Chair. We can definitely get it for you. We'll send it to you.

CHAIR - Thank you, I'll put that on the list in relation to that. So, if for some reason the situation becomes worse because of - we don't know what the federal Government is going to do, and I know we're talking hypotheticals now - but what is the expectation of UTAS should the situation become worse and financially you're in a more desperate situation, the balance sheets being used to the fullest extent? Who bails out UTAS?

Prof BLACK - People don't 'bail us out'. We're not - the strength of the university - in the end, if you have to do that, you just have to become a smaller university. That's not what we want to do. You can just become smaller. You could offer - you know, we're spending - you'd start to - that is where - and that's why we need to navigate our way through it, because you can start to cut those courses that actually Tasmania needs. You could start to not have regional locations, which Tasmania needs. So, you can make the university viable, but it wouldn't be - if you did that - the question I think communities would have is these are really valuable things.

If you look at - because that northern piece that we talked about, the \$40 million to \$60 million we spend a year, which has an economic multiplier of two to three times that level of investment - it would actually make deep economic sense for Tasmania to say, 'That should be our investment.' Because that's returning two to three times the economic growth that we

put into that. I think you wouldn't be looking - it would be a policy choice for Tasmania about what did it want for its community. We'll keep the university viable, no question about that.

CHAIR - Yes, I understand the measures that could be required to do that, but would part of that be going back to the Treasurer and saying, 'We want to extend our borrowing limit,' or?

Ms BEAUMONT - Can I just clarify one thing? The University of Tasmania, like other public universities, is corporate. In terms of the bail-out question, it would be similar to a corporate entity, and you look to the *Corporations Act*. So, administration, insolvency, those sort of provisions would kick in. I know people talk about a Commonwealth bail-out, but there is no Commonwealth underwriting of the university.

CHAIR - No. Or State.

Ms BEAUMONT - No, that's right.

CHAIR - Other than going to the Treasurer for higher borrowing, potentially.

Mr BARLING - If I could just comment more conceptually on this. We're not doing this on a wing and a prayer. There's planning around this. We do a 10-year outlook around what we're doing. It has a bunch of scenarios in it. The reason why we've been able to plan around having results like we've had and absorbed the impact that COVID had and then the migration settings, is because we run those scenarios. We run them every year, and we report them through to our strategic resourcing committee, and that goes to Council. So, we do have a 10-year outlook around what we're planning here. It's why I can confidently sit here and say we've got the money to do what we've committed to doing.

CHAIR - Have you got the 10-year outlook, is that a physical plan?

Mr BARLING - It's not a plan, it's actually an outlook in terms of how we - and we do provide a paper. So, we could provide that information.

CHAIR - That is something that would be provided to the Council, for example?

Mr BARLING - It's provided through to Council, yes.

CHAIR - Can you provide that?

Mr BARLING - Yes, happy to share them.

CHAIR - That would be great.

Ms THOMAS - Thank you. I think you've just answered this question as well, but in terms of the current Southern Transformation Project, which includes Domain Medical precinct, Wapping, Midtown and West End, will the student numbers forecast be sufficient to fund this entire master plan and maintain the infrastructure ongoing, or will that somewhat rely on, again, the policy changes and settings in relation to international students?

Mr BARLING - The plan around our student base and the investment we make in our facilities is not necessarily dictated by a particular facility in a particular spot. The investments we're making in Hobart right now in the south are focused on the Forestry building in the city, and focused on IMAS Taroona. We've just finished some work on the Domain. That work will deliver more than 60 per cent of our students in the city and the majority of our staff them being in the city from next year. There's still some work to do around which actual disciplines are there. That's underway at the moment and as we get to that point, we'll then work through what that looks like from a further investment perspective.

The perspective Rufus gave at the start though is beyond that investment with the current settings, policy settings and limitations we have. We can't commit to any more capital construction and that's captured in the backslides. It's also critical to understand that the assets we have in order to do that, if they're encumbered in any form that limits our ability to make any investment whatsoever. So, we do run a complex - I hope you've got the complexity of our financial situation, how it's managed in order to do that encumbering something that we've currently got access to - could be a big limiting factor for us.

Ms THOMAS - Yes, thank you. That point's clear and, as you mentioned, clear in those backslides as well that the university craft \$500 million to bring the STEM facilities to contemporary standards, and this will rely on partner funding and unencumbered assets to be able to deliver this for Tasmania. That's understood.

I guess there's current works going on separate to that in the south and there is a master plan that doesn't include, as far as I'm aware, the STEM facilities, this \$500 million that we're talking about. So, the current Southern Transformation Master Plan and the works are being undertaken. You're confident that the university can complete those works within its current financial position and maintain that infrastructure ongoing?

Mr BARLING - Yes, the master plan. I'll just comment that I'm talking about the current projects we have committed to. The master plan will need reshaping.

Ms BEAUMONT - Just to clarify, the projects that are in the CBD are not part of the Sandy Bay Master Plan.

Ms THOMAS - Yes, I'm talking about that the Southern Transformation Master Plan, which doesn't, as far as I can see, include Sandy Bay. That's a separate master plan.

Ms BEAUMONT - Yes, we use the term 'master plan' to talk about the Sandy Bay development. There is a transformation program for the south. It is what it is funded in terms of the conversation we've had today, and then the Sandy Bay campus is something that we talk about as a needing to be an incumbent asset.

Prof BLACK - But there is a piece there, just to be really precise in answering your question, because you asked about ongoing maintenance. Even if all we did on Sandy Bay was to keep the current STEM facilities, they need minimum another \$116 million just to stop further deterioration - not to upgrade them, not to make them better- just to do that. If we were to do a basic refurbishment as they currently are, it's about \$192 million and that's not new labs. That's fixing the carpet, fixing the heating, fixing just really basic stuff. That's \$192 million.

PUBLIC

That's why this STEM question is really live, because standing still is not a solution for Tasmania anymore. Standing still is a problem. That's why we want to flag that this is an issue the state really needs to work with the university to solve, because it's for the State. Standing still, doing nothing, is not an answer.

CHAIR - There are still a number of areas that I was going to go to and possibly other members too. We may need to invite you back to actually get to some of the other areas. We probably should have allocated three hours first up.

We appreciate your appearance today and the information. We will write to you to follow up the questions on notice. There were some other things I was going to perhaps put to you around breakdowns of some of your operating costs and things like that. Maybe it is better to have that discussion across the table at a future time and then come back.

Prof BLACK - Perhaps you could provide the questions ahead of time so we can make sure we've got what you need.

CHAIR - You may be able to do some of that for some of those questions absolutely.

Prof BLACK - That may help provide what you need.

CHAIR - Thanks for your time today. Apologies, we've rushed and run out of time, but thank you.

The witnesses withdrew.

The Committee adjourned at 11:30 am.