UNIVERSITY of TASMANIA

The Hon Ruth Forrest MLC
Chair, Parliamentary Standing Committee of Public Accounts

By email: Simon.Scott@parliament.tas.gov.au

Dear Ruth

Thank you for the opportunity to provide additional information to the Parliamentary Standing Committee of Public Accounts to inform the Committee's consideration of the terms of reference of the Inquiry into the UTAS Financial Position.

Please find attached responses to the questions on notice as requested in your correspondence to the University on 4 October 2024.

On the matter of international student policy, on the afternoon following our appearance before the Committee on 3 October, we received advice that the Minister for Home Affairs, the Hon Tony Burke MP, had decided to pause the Evidence Level (EL) changes that were scheduled to occur at the end of September 2024.

It seems this decision had some relationship to the expected debate in the Senate of the Education Services for Overseas Students (ESOS) legislation in the week of 7 October as the justification provided was that the pause would allow education providers to revise their recruitment processes following the passage of the ESOS legislation introducing National Planning Limits. The Australian Government has previously committed to the removal or replacement of Ministerial Direction 107 (MD107) upon the passage of the legislation.

However, the report of the Senate Committee inquiring into the legislation was tabled later than expected which did not allow for debate during that week. The legislation will now not be debated until the last two weeks of November which are also the last two Federal parliamentary sittings for 2024.

We have been further advised that should the ESOS legislation not pass, the Minister will determine the appropriate timeframe for application of the EL change, adding to the considerable uncertainty around this issue.

As outlined to the Committee during the hearings, the continued application of MD107 is severely damaging regional universities such as ours and creating financial challenges that cannot be quickly alleviated.

This situation will continue to have a significant impact on the University of Tasmania in 2025.

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As the only university in the state, the University of Tasmania is responsible for over 20% of Tasmania's net migration. On current indications, we anticipate there will be around a 10% drop in net migration to Tasmania, resulting in significant economic impacts across the State. A policy fix is urgently needed for the sustainability of the State, not just the University.

We continue to engage with the Australian and Tasmanian Governments to advocate for a resolution to these circumstances as quickly as possible and would appreciate the support of the Committee in these efforts in whatever form that may be possible.

Yours sincerely

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25 October 2024

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Inquiry into the UTAS Financial Position - University of Tasmania responses to Questions on Notice, October 2024.

Question 1: Student numbers over the last 10 years by physical presence, source, type of study and school.

As a large University with a student population in the tens of thousands, we have a significant volume of raw data on student numbers and study modes over a 10-year period. Capturing, analysing and presenting that data in ways that would be meaningful for the Committee would require a substantial amount of work.

We have provided a range of student data to the Committee previously, during our two appearances and within the September 2024 Questions on Notice, working to ensure the data relates to the Committee Terms of Reference and informs the Committee about our financial position and the financial pressures we are managing.

During our first appearance, we set out the national growth in domestic student numbers going back to the 1980s (slide 5) as well as our own student load over the past decade and how that relates to our EBITDA, the pattern of interstate student enrolments, and changes in our international student numbers (slides 22, 24 and 25). Our September 2024 responses to Questions on Notice provided additional data on study mode of students at the University of Tasmania compared to national trends (question 9) and Year 12 Tasmanian and interstate student numbers (question 10). Our second appearance provided a forward-looking overview, including projected student numbers out to 2050 mapped against our financial position as part of the scenario modelling we carry out at regular intervals.

Supplementing the information we have already provided with school and faulty level data would require a significant level of resources to manually review and prepare student data. Further, preparing student numbers at school and/or faculty level is challenging because this data can change significantly across short periods of time as a result of changes in organisational structures, changes in courses and other internal administrative changes. Additionally, many students may elect to study units across multiple schools or faculties during their time as a student. It is worth noting too that University of Tasmania schools and faculties, and the courses and units taught within them, do not directly line up with the Fields of Education data reported at the national level.

Question 2: Cross subsidisation and costs of delivering services to Burnie and Launceston.

One of the central objectives of the University is to further the educational attainment of our regional areas. Through the support of both the State and Federal Governments we have recently been able to invest in infrastructure at our Inveresk and Cradle Coast campuses, rather than closing regional campuses and retreating to capital cities as other universities have done around the country.

The figures quoted of $40-60m are the estimated net cost of the subsidy required to operate and deliver teaching, learning and research to these campuses.

The total staffing costs for the Launceston and Cradle Coast operations amounts to $85m versus a total student revenue of $45m. The net subsidy also includes campus operating costs, and the ranged nature of the response reflects assumptions on both the number of roles that would not be required in a consolidated Hobart campus as well as the number of students that would be unlikely to attend university in the absence of a regional campus.

Question 3: What are the costs involved in UTAS' research activities and to what extent, if at all, are research activities cross subsidised?

The 2022 study 'Essential Decisions for National Success: Supporting Australian Research' by Group of Eight Australia examined research-intensive universities, of which UTAS is one, and found that for each $1 of research income received an institution required $1.20 in indirect cost funding to support it. The study found that only approximately 20c per dollar of research funding is currently received from the government through Research Block Grant funding for this purpose.

This support ranges from energy costs and building maintenance to technicians, librarian and other professional support as well as the average 40% of time that academics are contractually allocated to research activities. Over the past decade UTAS's reported HERDC research funding has averaged ~$100m per annum which, based on the study above, requires a similar level of cross subsidy by the University.

Question 4: Please provide a breakdown of UTAS' non-capital projected expenditure for the years 2024 to 2026 related to the relocation of the southern campus to the Hobart CBD and redevelopment of its Sandy Bay campus

Given the current uncertainty about the University's future financial position due to legislation before the Senate and legislation before the State Parliament, projected expenditure beyond 2024 to support the redevelopment of the Sandy Bay campus remains uncertain - although it is clear the University will not be in a position to fund any works without support from governments.

Non-capital expenditure related to the University's southern campus presence includes $449,385 committed in 2024 for consultancy costs for planning and to facilitate engagement for future campus projects in Southern Tasmania, including STEM education and facilities.

Non-capital costs including staff time, relocation resourcing (eg removalists) and commissioning buildings (eg IT support) are included in the budget for the University's Campus Futures team. This team supports statewide relocation and campus development projects, including Forestry, Inveresk and Taroona projects. The University does not currently disaggregate team budgets to determine non-capital Campus Futures team costs per project.

Current and projected legal costs are minimal, as there have been no property purchases in 2024 and none anticipated - legal support required for existing projects is drawn from the University's in-house team.

The lease on the KPMG building cost $971,542.53 including GST in 2024 and will cost approximately $995,524.09 including GST in 2025. The lease on the Vodaphone building cost $906,948.32 including GST in 2024 and will expire at the end of 2024.

Forecast net interest costs on the Green Bond from 2024 to 2026 are $11.8 million in 2024, $13.6 million in 2025 and $14.2 million in 2026.

Question 5: Please provide year by year income and expenditure figures for UTAS' Rozelle campus and UTAS' learning centres in Melbourne and China from commencement of operations to 2023 and projections for 2024 to 2026 including any relevant commentary.

Our Rozelle Campus in Sydney's inner west is a health focused campus offering primarily nursing and paramedicine related courses in partnership with local hospitals and health service providers. Table 1 provides income and expenditure for the Rozelle Campus.

Table 1: Income and Expenditure – Rozelle Campus

$m	**2020**	**2021**	**2022**	**2023**	**2024**
Revenue	13.6	16.4	13.5	14.7	16.4
Salaries	(5.5)	(5.1)	(5.2)	(5.2)	(6.0)
Other Exp.	(1.3)	(1.5)	(1.5)	(1.4)	(1.5)
Contribution	**6.7**	**9.8**	**6.8**	**8.0**	**9.0**

The University has a partnership with Education Centres Australia (ECA) to run a Third-Party Managed Campus in Melbourne. This campus began operations in 2023 and has so far focused on international students delivering business and IT courses. Table 2 provides income and expenditure for the ECA Melbourne Campus.

Table 2: Income and Expenditure – ECA Melbourne Campus

$m	**2023**	**2024**
Income	0.4	0.9
Expenses	(0.3)	(0.6)
Contribution	**0.1**	**0.3**

The university's transnational education operations are run in partnership with international universities, delivering science and business courses through a 2+2 arrangement, where students complete two years overseas and then transfer to Australia to complete their degree.

The university's major transnational education programs are delivered with Shanghai Oceans University and UCHE (Hong Kong). University of Tasmania academic staff travel to China to deliver courses at our partner institutions, complimented by support from local academics. Table 3 represents the costs of the in-country components of these programs.

Table 3: Income and Expenditure – Transnational Education Program, In-Country Costs

$m	2020	2021	2022	2023	2024
Income	2.9	3.1	3.4	3.5	3.1
Salary Expenses	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Other Expenses	(0.0)	(0.0)	(0.0)	(0.2)	(0.3)
Contribution	**2.4**	**2.5**	**2.8**	**2.7**	**2.1**

Question 6: What plans does UTAS have to repay the $280m tranche of Green Bonds that we understand needs to be redeemed in just over seven years in March 2032?

As outlined in the presentation to the Committee on 2 October, our scenario planning includes a need to refinance a portion of our first Green Bond due to the impact of COVID and the lack of return from our Sandy Bay assets. This was noted on slides 15 and 20 in the presentation.

Question 7: How much of the IMAS Taroona spending is committed for the 2026 year?

The redevelopment of IMAS Taroona into a world-class fisheries and aquaculture research and teaching precinct is a $68 million project with construction currently underway.

We expect construction to be completed in early 2026 with the bulk of the building works to be completed, and associated costs incurred, by the end of 2025.

Question 8: Do the figures in Slide 42 include the acquisition costs of the properties developed?

No, they do not.

Question 9: Slide 38 indicates there was no further government funding available to continue capital projects. Did UTAS ask for a limit greater than $400m?

No, we have not.

Question 10: Please provide an explanation as to how the approved borrowing limit requires reductions over time consistent with the maturity profile.

The debt maturity repayment requirement relates to the third condition of the Treasurer's approval for the debt. The repayment obligation requires the University to repay in accordance with the debt maturity profile, provided at the approval stage.

Question 11: Purpose Built Student Accommodation (PBSA)

The PBSA transaction entered into in 2017 has provided a significant benefit to the University. The initial contributions from our partners have been used to support our other major capital projects, while the absence of an occupancy guarantee from the deal sheltered the University from potential significant financial exposure during the peak pandemic years.

Responses to the questions on notice are as follows:

1. *Regarding the Purpose Built Student Accommodation (PBSA) noting UTAS received 2 lump sums PBSA1 for $133m in 2017 and $71 m for PBSA2 in 2021, Slide 43 indicate UTAS spent $86m in2015 to 2017 on student accommodation:*

    a. *Do these figures relate to building additions or land and building acquisitions?*

    b. *Please provide details and dollar amounts spent and room numbers delivered.*

The $86m is the amount spent on construction of the Hobart Apartments complex that contains 446 beds, mostly in studio style apartments with self-contained kitchens.

c. *With regard to the 2017 PBSA1, did these include existing rooms in existing buildings (apart from the buildings and rooms referred to in a,); and*

  i. *If so, how many rooms in how many buildings and what was the book value of the buildings at the time of PBSA1?*

The initial contribution from our partners in 2017 included some existing student accommodation around the State as well as the contribution for the Hobart Apartments build.

d. *Slide 37 indicates 400+ beds were constructed "largely paid for by our partner". The slide refers to Hobart Apartments. Were these part of PBSA1?*

No, this is referred to as PBSA2 – which is 42 Melville Street Hobart, now known as Hytten Hall. The build was completed in 2021 and comprises 422 beds in a mixture of studio rooms and shared apartments.

e. *Slide 43 indicates $78 million spent on student accommodation from 2019 to 2021:*

  i. *Does this relate to properties that formed part of the PBSA2 deal?*

  ii. *Please provide details of the properties, the number of rooms, and whether the amounts related to new capex or land and building acquisitions.*

This relates to 42 Melville Street/Hytten Hall (422 beds) to which the University contributed $7.4m for the build and the remainder was funded by our partner.

f. *What was the book value of the properties included in PBSA2 at the time the deal was finalised in 2021.*

The value was the current build cost at the time of completion which was $78.5m and this is recorded on the University's asset register.

g. *How many rooms in which buildings were delivered under the PBSA partner expenditure undertake and how many rooms were delivered?*

PBSA2 delivered 189 rooms, of which 113 are studio apartments, 71 are four bedroom apartments and the remaining 5 are five bedroom apartments (total beds: 422).

h. *What are the net rental amounts paid to UTAS' PBSA partner for each of the years since commencement, including any amounts of revenue received directly by the PBSA partner which were forgone/diverted by UTAS as part of the arrangement.*

The net rental amounts are provided in Table 4 below.

Table 4: Peak Occupancy, Net distribution and NRAS annual distribution per year

	2018	2019	2020	2021	2022	2023
Total peak occupancy*	92.41%	98.39%	84.70%	66.57%	88.45%	88.00%
Net distribution to partner ($)**	10,070,876	10,944,682	9,544,251	8,968,774	14,270,813	14,142,048
NRAS annual distribution ($)***	N/A	6,202,918	6,481,253	6,430,047	6,390,753	6,404,436

Table 4 Notes
* Peak occupancy relates to student contract agreed periods, most properties are on 42 week contracts, with the exception of Hobart Apartments (50 week) and 42 Melville (52 week).
** Net distribution to partner takes out the University Annual Operating Amount as per agreement, commencing at $5.8m in 2017 and has had adjustments with properties incoming/outgoing, now sits at $6.8m
*** NRAS annual distribution is government funds as part of the NRAS scheme, whereby the Inveresk, West Park, Newnham and Hobart Apartments remain under 80% of market valuation for residents, this scheme is due to finish in 2025, with Newnham Apartments exiting in 2024. This is paid a year after occupancy / rental.

i. *Who pays the relevant outgoings such as rates, land tax, repairs, other occupancy costs and administration costs?*

The University pays for rates and administration costs (including all student-facing staff and services) to operate the accommodation and deducts an annual operating amount as per the agreement to fund this.

The partner pays for repairs and up-keep on the buildings for the duration of the agreement.

j. *What have been the occupancy rates since commencement?*

Table 4 above provides total peak occupancy rates from 2018 to 2023.

k. *What risks are there for UTAS; and*

l. *What risks are borne by the PBSA partner?*

The University does not take on significant risk in relation to the transaction, however the transaction does provide some limitations on use of the assets - such as consideration of rent setting and length of term of student occupancy agreements. The University works closely with and has a good working relationship with our partners.

Our PBSA partner takes on occupancy and financing risk in relation to the transaction.

Question 12: With regard to tax exemptions does UTAS' exemption from income tax extend to profits from all its operations, what exemptions from GST apply to UTAS, does the exemption to pay general rates apply to all UTAS properties, and if not, which properties are not exempt, and does the exemption apply to land and buildings leased to third parties, does any exemption to pay land tax apply to all UTAS properties and if not, which properties are not exempt and does the exemption apply to land and buildings leased to third parties?

The University operates under several legislative frameworks that provide exemptions from various rates and taxes, though these exemptions differ depending on the nature of the rate of tax and the use of properties.

The University is deemed a not-for-profit entity under the Income Tax Assessment Act 1997 as the activities we undertake, namely education and research, are deemed for the benefit of the community and therefore tax exempt. This extends to university subsidiaries where any profits from those operations are also reinvested into educational and research activities.

While many not-for-profit entities enjoy payroll tax exemptions under the Payroll Tax Act 2008, such exemptions do not extend to educational institutions such as the University of Tasmania. As a result, the University is fully assessed on its declared wages and remains one of Tasmania's largest payroll tax contributors due to its significant employment costs.

In terms of GST, the University benefits from general exemptions applicable to the education sector. Accredited educational services, including course tuition, are GST-free, allowing the University to charge no GST on course fees and to claim input tax credits on related acquisitions. Furthermore, student accommodation provided at less than 75% of market value is also GST-free, a concession the University monitors closely to ensure continued compliance with the threshold for its student accommodation.

Regarding general rates, the University is generally exempt from paying rates on properties it owns and occupies exclusively for charitable purposes. However, properties or parts of property owned by the University but leased to third parties do incur general rates. For example, a University owned building leased to a retail provider would incur rates.

Question 13: Regarding research funding and philanthropic income and the performance of other Australian universities.

The University's research and philanthropic income is outlined each year in our Annual Report and detailed in the revenue and income notes 2.5 and 2.6 in the Annual Financial Statements.

Regarding research, the Annual Report states in note 2.6 'The consolidated entity performs research activities in different fields such as health, engineering, education and science. The consolidated entity enters into many different types of research agreements with different counterparties, such as with private sector customers and Government agencies that award research grants. Each grant agreement is assessed as to whether it is an enforceable arrangement and contains sufficiently specific promises to transfer outputs from the research to the customer (or at the direction of the customer). Judgement is required in making this assessment. The consolidated entity has concluded that some research agreements represent a contract with a customer whereas other research grants are recognised as income when the consolidated entity obtains control of the research funds.'

Research income totals – as distinct from the figures publicly available through the federal HERDC system – have been presented in note 2.6 in line with current accounting standards for the past five years. Over that time the University's total research income for each year has been, from 2019 through 2023, $193.7 million, $193.7 million, $197.3 million, $199.5 million and $193.2 million.

Over the same period, the University's philanthropy income, as set out in note 2.5, has been $6.341 million, $9.083 million, $5.366 million, $5.466 million and $11.524 million. These figures are made up of donations and bequests and do not include scholarships and prizes.

The resources required to do a full analysis and breakdown of the internal flows of research funding by discipline or to compare our research and philanthropic income with that of other universities across the sector would be considerable and at this time, would require us diverting effort and funds away from core university functions.