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THE PARLIAMENTARY STANDING COMMITTEE OF PUBLIC ACCOUNTS MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON WEDNESDAY 2 OCTOBER 2024

INQUIRY INTO THE UTAS FINANCIAL POSITION

The Committee met at 11:10 am.

CHAIR (Ms Forrest) - Thanks, Rufus and your team for coming back. We do appreciate the information you've provided already, and we've sent you another large list of questions - some of which are sort of touched on in the information you provided, which was very thorough, so thank you - but perhaps seeking a bit more detail on some of those areas. We do appreciate that. We don't expect you to necessarily get through all of those questions today, even though there's some of them that are very data-heavy. Apologies for sending them so late, it's just been a busy time with Estimates here for members.

I will invite you to take the statutory declaration again, for each of you who will be speaking, and then I'm not sure whether you want to make another opening comment, Rufus? Yes, and then we'll move from then.

Professor RUFUS BLACK, VICE CHANCELLOR & PRESIDENT, UNIVERSITY OF TASMANIA, WAS CALLED, MADE THE STATUTORY DECLARATION, AND WAS EXAMINED.

CHAIR - We're going to deal with that feedback by muting some things.

Apologies for that: we just had a minor technical glitch there. I'll go to whoever else wants to go next.

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; **Mr BEN ROSE**, CHIEF FINANCIAL OFFICER; **Ms JANE BEAUMONT**, GENERAL COUNSEL; WERE CALLED, MADE THE STATUTORY DECLARATION, AND WERE EXAMINED.

Prof BLACK - Thank you very much, Chair. I appreciate the opportunity to provide some opening context. Craig will put up a few slides to help.

Chair, last time when we were with you, we were still at a situation where we did not have clarity about what the future policy landscape was in some very material ways, and you were interested in having an update when some of that clarity started to arrive. We have now got some, but not all clarity. So, we thought it would be useful to provide that kind of context, given it was a key question of the Committee - the implications of it. You were also very interested in a current view of our forward economics based on what was happening in that policy environment. So, we thought we would provide a kind of context for you in those ways.

Just to set the policy context, and then Craig will talk to how the forward projections are as a result of that. The key policy changes we've seen is that the proposed Education Services for Overseas Students Amendment Bill has been introduced into the Federal Parliament but has not yet been passed. Having been introduced, the government has nevertheless assigned

caps to universities for their international student numbers, for the number of new students and new overseas commencements, as they describe it.

Under that scheme, we would receive what they had described as an 'indicative cap' of 2,200 students for next year. That is, from our perspective, a good number. Our 2019 number was 2,155, calculated by the same methodology, and that compares to roughly 1,500 that we have this year. So, that is a helpful number.

Across the sector, there are people who have increased caps and those who see a significant decrease in their cap. So, this is having very significant impact across the sector. At the top universities that we are challenged by - University of NSW had well over 15,000 new student commencements last year: they'll have less than 10 next year. This has really substantial impacts on some universities.

Fortunately, in our circumstance, that number is long-term a good one. However, we won't see those numbers rebuild for two to three years because we are rebuilding from a low base as a result of all of the policy issues that we talked about previously, and even next year. At this point in the year, we are 80 per cent through our international student recruitment cycle, but barely 40 per cent of the visas for that period have been processed. We will struggle to meet that full quota next year. That has a pipeline effect into future years.

The government is not going to change the visa processing system until the bill passes. The bill is not scheduled for some time, so it will have a material impact in graduating how long it will take to recover, and a very substantial impact on others in the sector. There are a lot of second-order effects that will flow from all of that.

As we will see, universities have been extremely competitive for students. You may have seen in today's news that the number of domestic students entering all Australian universities has declined to its lowest level since 2013. That means the number of domestic students in the whole system is down significantly. In part that does reflect, as we mentioned last time, the decline in school completion rates, but also the very full-employment economy around the country. It remains a very complex environment with high degrees of uncertainty.

What I'll do is pass over to Craig to paint the picture of how we are navigating that environment and what our forward-looking economics are in that context.

CHAIR - Before we go to Craig, for my preface. I've read the very thorough explanation of the very complicated visa assessment process. You said that the Federal Government isn't going to change that approach until the bill passes. I know some universities aren't happy with the legislation as proposed. I'm sure that's a matter of negotiation for others. What changes are proposed to the visa system? Will it be better? One would hope so.

Prof BLACK - It will be better, but it still won't be good. It will return to the system that they had before this current ministerial directive that turned the tap right back in December last year. It will return to the three-tiered evidence system, which is not a system that's well designed when you have a capped number. The system was designed to manage international student numbers: that's how it was managed previously. Once you have a quota, you don't need that system anymore. In fact, we have noted our public submissions on this, the system would be far better built on whether universities are successfully selecting students who finish the stay

and complete, rather than the prospect-driven and, as we have demonstrated by our own analytics, very loosely accurate judgment about whether a student is likely to succeed.

The system is very flawed and does need a complete overhaul. That, of course, is very consequential for Tasmania because we want to be able to not only select a good number of international students for Tasmania, we also want to be able to select the right ones and the ones who will stay. Currently, we're curtailed in being able to do that by the way the government policy operates.

CHAIR - It seems a bit random.

Prof BLACK - It does have a significant element of randomness to it as we demonstrate in the analysis.

Mr WILLIE - And risk: you talked about in your question on notice - Canada is not anywhere near their caps.

Prof BLACK - No, that's right. There is significant risk. We contrast that the government would be wise to look to a scheme more like Britain's, which is a lot simpler. We have some suggestions in our public submissions for, in our view, a much better outcomes-focused system that says, how do universities, in fact, do within their quota of seeing those students complete the course they came for in the institution they came for. In Tasmania, that's what we want, students who will stay the length of their course, in courses that are going to benefit Australia and Tasmania.

CHAIR - Does the change to the visa processing system require legislative change or is that just a policy regulatory -

Prof BLACK - No. It's a ministerial direction. The government does have flexibility to make those changes. They could make them -

CHAIR - They'll make some, yes.

Prof BLACK - They will effectively make them overnight when the bill passes. But, they could make a much more comprehensive and appropriate set of changes. Our view is the State would be - as it is - good to be advocating for a complete overhaul. It's consequential for all regional parts of Australia - the random qualities of the system and its impact on migration, which for Tasmania is extremely consequential.

Mr BARLING - Thank you, Rufus. To pick up from here, what we want to do is talk through what that means and also the other financial parameters we talked about last time on our long-term funding model. We talked about that which was presented to Council in December 2023. That was a point-in-time analysis. It's a dynamic model, it changes over time, and we thought it more relevant to provide you with an up-to-date version that we presented to our Strategic Resourcing Committee a few weeks ago. We thought that was more important.

This topic also covers a number of the questions in the document you sent through, so I'm very happy to be interrupted as I talk through it, if there are questions you want to cover in detail. It may take us a little time to get through because there is a bit of financial detail here,

but we thought that would be helpful for you to set the tone and the context for the conversation we want to have after receiving your questions.

A reminder around where we're starting and the next two years of our funding profile. This sets out our capital commitments over the next two years and how they're going to be funded. What's really important to understand - we made this point last time we were here, but to reiterate - our university has the capacity to fund our current commitments, and they're significant. We have capital expenditure of \$30 million; \$28 million in the north for TIA (Tasmanian Institute for Agriculture). Our annual sustaining capital is \$30 million a year. The southern projects, being IMAS¹ Taroona, and Forestry, will cost almost \$200 million in that time, and the northern campus transformation still has \$37 million to expend over the next six months.

We have the sources for that. Between our cash reserves, our investment portfolio, surplus assets, and existing debt, as well as the grant money still to come from the government, we have more than enough capacity to fund our current commitments. I know there has been speculation about that, but we are quite certain and secure in our funding sources around that.

CHAIR - That's all Federal Government grants you're referring to?

Mr BARLING - The northern grant money down the bottom is actually the State money that's remaining. The Federal Government money has all been received.

Mr WILLIE - Is there a hold up with that?

Mr BARLING - There have been some challenges with that. When the funding deed was developed, the Inveresk construction was tied to the Newnham campus, which was a question you had in this submission. With the tying of that funding to Newnham, the State Government was required to lift the education covenant on Newnham for us, which was tied to the funding we get and it wasn't our deliverable. There have been some delays in that. We've now negotiated that with the government to separate those two things, but the fact is, that Newnham piece has caused us a great deal of challenge in the sense that, as we looked at Newnham, it was a key part of our contribution to funding the project. We had in our plan that we would be able to realise some value from that site to be able to contribute to the Inveresk project.

The negotiations around lifting that covenant have now taken six years. We now have to go through two houses of Parliament to get approval for that covenant to be lifted, and it sort of sets the tone for - the restrictions that are placed upon us sometimes have a big impact on our financial sustainability because we have not been able to realise that opportunity with the northern campus and we've been waiting, like I said, for six years for that to be addressed.

Mr WILLIE - That's if the bill passes.

Mr BARLING - That is very much still subject to that process, yes. If the bill doesn't pass, we get the land with the covenant on it forever. Therefore, that site is restricted in terms of how we develop it forever, which is bad for us, but also for the northern communities. That site is a great site for housing: we developed a master plan in conjunction with the community

¹ Institute of Marine and Antarctic Studies

PUBLIC

who were very supportive. It generates housing and a lot of affordable housing, which we know the State needs. Right now, we can't do that because this piece of land and the ability to develop it is constrained by the approval of two houses of Parliament.

CHAIR - It's not yet.

Mr WILLIE - No, if the bill passes.

CHAIR - That's right. The fact that it's on the table, though.

Ms BEAUMONT - Can I clarify something, there? When you're referring to the bill, are you talking about- because the Newnham land matters are separate to the bill.

Ms THOMAS - What you're saying is, that scenario already applies to the Newnham land?

Mr BARLING - It does. What's being proposed applies to Newnham and it has caused us a six-year delay.

Ms THOMAS - When you say what's being proposed, under the existing legislation framework, there is a covenant on the Newnham land that requires a bill to go through Parliament.

Mr WILLIE - Is it a disallowance?

Mr BARLING -No, the Newnham process is slightly different. You go, Jane.

Ms BEAUMONT -The Newnham land matters has nothing to do with the university bill that's been first read and is sitting in Parliament. What it does have is a covenant that restricts what you can do with the Newnham campus. It needs to be lifted by the State Government and it hasn't been; that's the six-year delay. There is going to be a disallowable instrument introduced into Parliament: it's called a Section 64 process. That's what we need to be achieved to be able to have the land handed back to the university, for us to be able to both provide the educational opportunities for our students on Newnham and to do what we need to do with the rest of the land.

Mr BEHRAKIS - What are the covenants that are sitting on it at the moment? Is it that you can't develop - what are they restricting?

Ms BEAUMONT - It's covenant on title. It's very similar to what you see in the planning scheme when it talks about what you can use land for. At the moment it's for educational purposes only.

Mr WILLIE - Just for clarity, there's obviously a bill before Parliament, if that passes, then that land will also be subject to that.

Ms BEAUMONT -That's absolutely right. The UTAS bill that's in Parliament at the moment does two things: it deals with Sandy Bay campus and then it allows for other university land, as prescribed, to be caught by the disposal restriction.

PUBLIC

Mr BARLING - To put the reality to that: developing that site - we've had a great plan with the Federal Government and the State Government around a defence cadet facility we can't do because of that restriction. It's not just a development for a master plan and housing: it actually restricts us to do a number of things that are valuable for the community that we've all agreed. Placing these restrictions on it - we've spoken to developers about the site - they will not come near it for as long as that restriction and that process is attached to it. That's the dynamic we're dealing with in the North, which may repeat itself in the South.

Mr WILLIE - Just for clarity there, too: developers won't come near it, particularly because it's exposed to Parliament or -

Mr BARLING - For both reasons.

Ms THOMAS - Chair, if I may ask a follow-up question, why has it taken six years? Is this something that you asked to be considered six years ago?

Mr BARLING - The requirement to lift the covenant was established in the deed six years ago and it has taken that amount of time to get to this point. I can't comment on the specific reasons for that. It's the State Government who is responsible for that process.

CHAIR - Who's the responsible minister?

Mr BARLING - I'm not sure I can answer that, Chair.

Ms BEAUMONT - It's the Minister for Land. It was Mr Jaensch.

CHAIR - It's Duigan, now.

Mr BARLING - We've had negotiations and conversations with Government the whole way through, but it has come to a point where we're finishing our Inveresk campus and that Newnham campus is going to be empty in three months' time and not able to be developed in the way we want, or the community wants. The master plan in the north for Newnham was strongly supported. That process was rigorous. We did it in conjunction with the Coordinator-General's office and it was strongly supported by the community that that would be good for Newnham and the northern suburbs of Launceston, but right now we can't do anything with it.

Mr WILLIE - Another question: is there a scenario here where the disallowance motion passes through Parliament and you're, potentially, back to square one again because the other bill that's been tabled will pass and you have to come back to Parliament for a second time?

CHAIR - Only if the land's prescribed, so you got to wait for the regulations then.

Mr BARLING - The current bill only applies to Sandy Bay.

Mr WILLIE - Okay, right.

CHAIR - Can be prescribed though, so you have to wait for the regs.

Mr WILLIE - It'd be plausible that that could happen.

Mr SHELTON - A quick question, and I understand the covenant issue out at Newnham and the fact that you would love that opportunity to invest that money into the university. A question on history, when you've moved to the city and developed that railway site, and some of us were there yesterday - fantastic university buildings and that sort of thing there. What sort of value did you pay for that site? If you paid full commercial value for that site, then I can understand an argument to get full commercial value out of Newnham. If there was some negotiation, then, of course, there'd be also negotiation over Newnham.

Mr BARLING - The northern deal was a part of the Launceston city deal, and as part of that Launceston city deal, there were four contributors around the different parts of that project. The Federal Government contributed \$150 million to the project. The State Government contributed \$75 million to that project, I think, approximately \$70 million to \$75 million. We contributed our amount to the project, and the Launceston Council contributed land. Our contribution, which originally was slated as \$75 million, included our contribution from our reserves, but also from realising value from Newnham, which was incorporated in our calculations of that \$75 million. The land for the northern campus was contributed by the Launceston City Council as part of their contribution to the Launceston city deal.

Mr SHELTON - All right. Thank you.

CHAIR - Back to you, Craig, I think, at this point.

Mr BARLING - We'll keep moving and we'll get into the funding model. What we do from a funding perspective is we do model long-term. I said we had a 10-year funding profile, which we do, that's around the capital and our broader debt and financial management. What we try and do is manage it over a 20 to 30-year period. We have a model that sits there until 2050, which helps guide our decision-making around our finances.

That model is run around a bunch of assumptions. Those assumptions look like - we do domestic student growth. As Rufus said, there have been challenges in the sector. We tie that to population trends. That's a bit challenging in Tasmania, but we do it Australia-wide. Our assumptions within this modelling presumes that the accord that Rufus talked about last time we were here, that the growth in that starts from 2030. That may seem late, but that's how the higher education sector works. By the time the policy comes in, you can recruit the students and you get the funding. It takes time for that to occur. The Federal Government is understanding that that's a reasonable assumption.

It also assumes the accord funding mechanisms give us the funding per student we currently get today. It presumes the status quo. There's risk in that because they've got different ways of calculating the funding going forward. The last major assumption is that the international student numbers that we receive, we fill our quota for. This will take us to about a 20 per cent international to domestic student mix on our campuses.

What that looks like from a student perspective - and there's a bit of detail here I'd just like to talk to because it's in part of your questions - is it sees steady growth over the long-term around our student profile. It's probably worth reflecting on 2019 through to 2024 right now. In 2020 it was a bit of an anomalous year. The COVID year meant there were actually thousands of students that came to the university domestically to study single units or short courses. The 2020 year's a little bit of an anomaly.

You can see from 2019 the fact that Rufus just described, that since 2017, domestic enrolments have reduced by 9 per cent. We have experienced that just like everybody else. I will say in the last two years, we have managed to work opposite to that trend. Our domestic numbers for this year and for next year are looking particularly strong.

What that drop largely reflects for us is the international student drop over that time - the COVID impact, the migration settings that were in China, and the migration settings Rufus has talked about previously. Where we see this going is we see this growing over time. If we can fill our quota, our students will grow back slowly but in a very measured way. We're not looking at a high-growth scenario here. We have to manage the university's finances with the level of conservatism that you would expect of an organisation of us.

When you translate that into what that means from an operating cash result, and this is the mechanism we use to manage the university's profit or financial performance, that profile shows the stark impact any drop or increase in international students makes on our operating cash result. You can see from 2020 when that international student number dropped, we went from making a very healthy operating cash result of \$50 million-plus down to basically break-even. We had a clear mandate not to go below break-even. The fact is we need to sustain our university with capital that comes out of this operating cash result that we have subsidised through our reserves over the past few years.

You can then see from 2024, which is this year, as we start to make progress in getting more international students and working to a really close management of our cost, which has been on the public record, we start to get back to a more profitable position. The need, as Rufus has described at the start, to help influence migration settings, to influence national policy around international education, is significant for our university and our contribution to the State, but also significant for the State's population growth.

CHAIR - Can I ask what your assumptions are this year in 2024 and 2025? What assumptions are you making, that it'll pick up like that?

Mr BARLING - From a domestic standpoint, it's that our trend follows domestic population growth. We split that between Tasmania and interstate growth, because we have such a high interstate proportion of students. It includes the fact that as we move to 2025, we won't get to the quota of international students. In fact, we'll fall quite a way short, and will be more similar to this year. It does presume as we hit 2028 that we do hit that quota by 2028. It's a staggered increase through to getting that quota hit, and hitting a 20 percent international student profile.

What does that mean from a staff perspective? Obviously, managing the university's finances is a delicate balancing act. The policy impacts - in revenue per student we receive domestically, how many international students we can attract, this all impacts our cost base, and our cost base is largely employing people. 70 per cent of our cost base is staff.

What does that mean from a full-time equivalent staffing perspective, which is on this chart? It shows the drop we've had over the past few years that reflects the shrinking of student numbers. It hasn't dropped as starkly, though, quite obviously. We've made a conscious decision to help sustain the university through this period, to subsidise us as we go. We've drawn on our reserves to do that.

You can see the specific drop in 2025. That's a combination of the work we're doing this year. We announced a vacancy management program and the cost measures we were putting in place, back in May. Those cost measures are reflected in that 2025 number. The budget for that is still being struck, so we don't quite know the exact number, but that's our outlook for 2025. That drop is actually embedded within the work we've done this year to reduce our cost base.

Mr WILLIE - If you achieve it.

Mr BARLING - If we achieve it, and we've made reasonable progress. Our profit result that we showed on the previous slide for 2024, of \$15 million? At this stage of the year, we're confident we're going to reach that range. We have that in line.

There are still some things to do - don't get me wrong. This is not easy to reduce the cost base of a university of this magnitude, but we have made good progress, and our institution is behind us in making sure we deliver on those commitments.

What you can also see from the FTE perspective - the past is sort of embedded in your questions, the future is probably what we're focused on, because we need to manage the university for the future - you can see that full-time equivalent staff growth won't occur for this university for quite some time. As much as we have increases in students, we need to deliver an increased operating result back to that sustainable level of \$50 to \$60 million. Our staffing levels will stay fairly consistent, reflecting the fact that we will be a slightly smaller university in the future than what we are today.

What that means - and I'm sorry for the data on a page, but this is the question you asked - what does our 10-year funding model look like? This is a snapshot. The funding model is a big tool. It has lots of scenarios through it, it has lots of calculations, and this is a snapshot on a page. So, apologies while I talk through this for you.

The way this works is to give us an understanding of how much cash we have available to ourselves in order to manage the university's and our capital commitments, but also the amount of investment portfolio we hold to be able to deal with the shocks, and the subsidisation we need sometimes.

CHAIR - When you say 'subsidisation', are you talking about the North and North-West campuses? Is that when we're talking subsidisation, or are we talking broader than that?

Mr BARLING - It's probably a poor term, Chair. 'Subsidisation' in terms of how we actually make sure that every area of the university that needs help - because we are a university that only breaks even effectively from an after-depreciation profit perspective - how we actually go about supporting all those activities, whether it be research, whether it be the teaching in the regions, whether it be a broad curriculum, and all the things that we take on.

Briefly, we obviously have our opening cash, which is what we operate towards, when we have the inflows that come in, which is our profit and other funding areas, which are mainly grants in the past. The cash outflows include our capital expenditure, plus our interest costs that we pay, plus some other ancillary items that sit within that line item. That then delivers a net cash position each year, which is the first green highlighted row. We then have draw-downs

that come out of our operating cash to pay for our capital commitments. You can see those two large numbers this year, which were planned, and very much captured within the first slide I shared around the two areas, how we're funding our capital plans over the next two years.

That gives us a closing cash surplus, the line item with a little red arrow, which tells you how much cash we have available to ourselves for discretionary purposes at the end of each year. That's an important figure, because that helps us understand what we can invest into a new capital program. It helps us understand what we can repay in our debt, and it helps repay any discretionary money we have.

What we also track is our investment portfolio that sits below that, which is a very healthy \$405 million balance. It's important to understanding that, as we shared last time, a large part of that is committed to research funding that's been given to us that we need to spend. Another large part of it is the scholarships, philanthropy and foundation money we hold on behalf of donations and donors to fund future scholarships for the university. That number is \$265 million at the moment that we hold.

We do track the portfolio really importantly because that closing unrestricted investment portfolio line is really important to us as to how much money we hold to help sustain a university. That can't be zero. That means that money needs to be there in case we do have a shock or we do have some issue we need to work with to fund.

You can see as we manage our 10-year outlook, the university does not have the capacity to be able to put into new capital investments. This reflects the conversation we had with you last time. The sector is not funded for large capital investment. That's why we all need international students. But the domestic funding situation has always been dependent on government money for large capital replenishment.

I might pause there to see if there's any questions on that level of detail.

CHAIR - You talked about having a buffer to deal with shocks. What's the buffer that you expect?

Mr BARLING - Here's something I prepared earlier which shows the effect of COVID. We plan for shocks and there are lots for a university. We are independent organisations. We explained our ownership around the State where we obviously committed and intertwined with the State, but we're funded by the Federal Government and we're independent. We have to manage our finances as an independent organisation.

This chart shows you our EBITDA² line or our cash operating result line over time and forward-looking. You can see that the impact of COVID for us was significant, \$180 million. That's the effect of the initial drop in international students. It's the effect on the cost that we incurred in terms of managing through COVID. It reflects the migration settings that came from China out of COVID and it reflects the current migration policy settings.

The university has absorbed \$189 million out of COVID. We're not the only university that's done that though. That's been consistent across the sector. We all hold reserves for this type of purpose. We didn't think it would be that significant, but it has been. That's why we're

² Earnings before interest, taxes, depreciation, and amortisation

so desperate to change the current migration settings and get help to do that, because that's actually what's dragging this out a little bit longer than it should have been.

CHAIR - Does that figure include increase in capital costs? We know what COVID did to capital costs.

Mr BARLING - It doesn't include capital; that's been embedded within our capital budgeting; you could add that to it, if you would like us to.

CHAIR - It might be helpful to see the impact of that because everything's blowing out cost-wise.

Mr BARLING - It's hard to differentiate what was COVID versus what is just the market, but leave that with us and we'll think about how we look at that. We do track the capital cost very closely, but we do it separately to this model.

You can see we model future shock. Back to your question, you know, what level of reserves do we need to hold? It needs to be level of shocks that may happen in the future, which maybe another pandemic, it may be a geopolitical crisis, it may be a changing funding landscape, because I've been in the sector for 11 years and I've experienced four of them already.

There are lots of different things that happen that means we need to plan to hold a level of reserves to sustain our university and not spend that on capital. It's a really important perspective that we give. What is the number? It's something we actively manage. It's why we won't draw down our reserves too heavily. It's why we always keep a level there to maintain us.

Ms LEIS - From a council perspective, this is very important for us because obviously the long-term sustainability of the university is critically important. The council's consideration has been this funding model and the long-term projections and making sure that the university has some very clear reserve positions for this very purpose.

Mr BARLING - I'll keep moving because I'm nearly finished. We do run scenarios on this because it's good to have a plan. The plan has the assumptions that have been worked through really in a lot of detail. It's also important that you run scenarios to test what happens if your plan doesn't come off, because no plan comes off perfectly. Those scenarios, we run about 12 of them across the model. We haven't shared those with you today. We've chosen two.

One of them is if we get in a situation where we get more international students than we're planning, where we would have to renegotiate the quota. But that is a possibility.

The second scenario is where we actually don't hit the international number, but also some of the accord funding elements don't come through. They take longer to come through and the funding per student isn't as significant as it is today which, again, is a plausible outcome.

If you could please move forward one more, when you look at what the impact of that would be, it is significant to our cash operating result. You can see the grey bars in this are the same bars as you saw previously around our cash operating result and you can see, the disparity

we have is if we get more international students, and yes, we do. It's why universities in Australia are so dependent on that income source.

If we lose them and we don't get the right policy settings domestically, it really does affect our cash operating result. And if you think around that spreadsheet I showed, you know we're maintaining a \$60 million cash balance.

If we drop our EBITDA by \$10 million to \$20 million each year, it only takes two to three years to eat into that and that's not something we can afford. So, when we say that the university's finances are a delicate balancing act, we really do mean it. It requires us to model out a long time because the university sector works on a long-term operating cycle. We're not a short-term business that sells goods on a turnover of two or three months. Our students stay with us for three years. Our research program run over 5-plus years. So we have to manage our finances in the long term really carefully to reflect our operating model and this sort of shows you the importance of that.

I have one more slide to present. Skip another one forward please.

That sets out our conclusion around this and I'm happy to go with any of the questions that this draws out because I'm sure it does, from your perspective. Probably the first is how important it is that we can influence federal policy reforms. We have a great track record of that. It helps being the only university in the State. It helps having the political capacity that this State has federally as well and that has been beneficial to us in the past. Like I said, the policy settings do support us right now.

The fact is, though, some of them don't - and the support to get those migration policy settings because you can see the impact of them means we do need help influencing those.

The second is it's clear that we don't have the ability to fund our large capital investments. That's been our history. It's our current and future scenario as well. So, the investment in STEM³ facilities, which I think it's fair to say everybody in our southern community completely agrees, is important to do because we do have declining participation in STEM in schools. We aren't producing enough engineers and technology graduates. We do need to get onto this. The new STEM facilities are critical, but we can't fund those by ourselves.

The other one is we hear a lot that we're a real estate developer. We're not. We're a large asset manager. We do have a lot of assets - a billion dollars. Those assets are geared towards delivering to our mission. They're geared towards delivering courses to our students and research to our community. We have to be really good at managing our assets and make sure to the last point that our assets are unencumbered. The moment our assets become encumbered, we end up in a situation where we're waiting for other people to do things to help us manage our situation.

The last point is, because there have been a lot of questions around our debt, as we look at that scenario, we have to make sure we manage in the long term to help make sure we can refinance and meet our debt commitments, which we're doing. Our debt commitments were taken on board in a really measured and constructive way. The green bond is an instrument that other people have emulated since we created it because of its innovation from both the

³ Science, Technology, Engineering and Mathematics

sustainability perspective, but also how it was structured. We have some good instruments, but we need to make sure they're managed carefully because our debt and our funding model is a very delicate balancing act.

That's where I'll leave it, Chair. I am happy to move to questions either on that material or anything else.

CHAIR - Sure. I don't know whether you want us to let you respond to some of these questions that we sent through at a later time or whether you want to go to them now?

Prof BLACK - We will seek some direction from you as to what questions you'd like to pursue. There is a substantial number of extremely detailed questions here. There are hundreds and hundreds of hours of staff work if you want detailed answers to them so, perhaps, we could be guided by you as to the essence of what you're seeking here and can seek to work with that.

CHAIR - From my perspective, I might start with the STEM facility which is what was talked about, which acknowledges the challenges of a student profile and all of that.

There are some who would say that you should be able to fund this yourselves. Clearly, you've made a case that you can't. So, in terms of the work that's been done, perhaps, flesh out a bit more why you need the new STEM facility because in terms of getting any funding, whether it's from State or federal, I think federal is the one that is likely to get hit up for this, some would make a case that you should just repurpose the current facility.

Some would say that you don't need a new STEM facility; you can still teach STEM in the current facility. So, I'm interested in why you believe there needs to be a brand-new facility and why it's going to cost, I think, \$500 million was the figure, or something like that.

Prof BLACK - Yes, it's in that order of magnitude. I'm certainly happy to walk that through. Our STEM facilities are extremely aged. What that means in terms of - and let's deal with the separate pieces of research versus teaching. The teaching labs are a very long way from the kind of high-quality, best-practice teaching labs that students looking around the country as to where they would get their education would see. If you go to a lab at the University of Melbourne or other places that students might reasonably choose to compare with, they are vastly better equipped for the purpose of teaching.

You'll see that there are screens immediately in front of where students are at. The way the whole capacity of those labs to operate really efficiently is very different. That's really important for the sustainability of our labs. Not only do they have significantly better facilities for better teaching other places, but they're also much more efficient. A current teaching lab, if we have one, is one where you might get 50 per cent utilisation of it, because you teach a class, and at the next class you have to then completely reset it. A contemporary kind of lab, you actually wheel in, wheel out, between classes, the things that you need to teach it. The difference in terms of sustaining effectively an investment half the size - which in Tasmania as we've highlighted is really critical - you need to be able to have those kinds of highly efficient, teaching labs so you can maintain a smaller capital footprint. You can see how much big capital footprints are a real challenge to us to maintain, to renew. You want to be able to operate on a much, much more efficient footprint, and one that's got better quality for students.

We face the basic competitive reality, that already universities of Melbourne and Sydney fly Tasmanian Year 12s to Melbourne and Sydney to see their extraordinary facilities. Any sensible student who looks at what they would get available in Melbourne versus what they would get in Tasmania - we're comparing labs from the 1960s with the labs of 2025. I mean, these are completely different propositions.

Not only that, the total environment they operate in is really different. If you go to a kind of lab, the University of Melbourne, you'll see they're kind of places where a whole range of other learning opportunities are wrapped around and students are able to stay in those environments and continue to study, engage with each other. These are really rich learning environments. It's a long way from what we thought education was in the 1960s.

If we want to keep STEM students in Tasmania, we actually need to have a competitive proposition. If we want to teach them well, we need labs that are cutting edge. If we want them to be efficient, we need those kinds of labs. That's why virtually every other university in the country is in a continuous process of ensuring they keep those labs up to speed.

If you look at our research facilities, our team - we have a fantastic central science laboratory, but that is extraordinarily aged and constrained. The team there does a remarkable job providing for our broader science team, but they are working in trying to get new equipment sustained and maintained in a building that was never designed for what it now houses. Ensuring that that is managed safely and managed well is a really big challenge compared to what you'd have in a contemporary facility.

We also need to be able to - if you're going to have contemporary STEM facilities, you're wanting to be able to bring people together so you get the interdisciplinary exchanges that actually often is what leads to breakthroughs. You want to be able to have these facilities so that the community can see and be excited by what STEM is about, so that it's transparent and visible. If we don't excite kids about STEM, we're not going to have a STEM future here. You want it to be easy for industry to collocate and be a part of your world.

Again, these are all normal, regularised things in other Australian universities.

CHAIR - So why can't you repurpose the current facility?

Prof BLACK - Because they're not designed for any of those things. Where you've got substantial enough - there are some pieces which we could retrofit for some purposes, absolutely. That's why at the moment we are doing work to say if we were putting a STEM facility in Sandy Bay, which pieces would you need to be new to meet some of the requirements I've got? Which pieces would you need to retrofit? How would you integrate those together? That's a concept which we are obviously very actively exploring because of the enthusiasm for working out what the best option for our STEM teaching is. We are always looking at all options and we are in quite a different era to the era when we originally made that. Back in 2018-19 when we were making these decisions, we're now kind of in the mid 2020's. The world's moving on. We're looking at all options, including what you can refurbish and what you can't.

Mr BARLING - If I could give a local example, because they always help to put perspective to this. Our Institute of Marine and Antarctic Studies, IMAS, on the waterfront was built back in the mid-2010s. It was sitting in a corrugated iron building at the back of the

Unigym. Since it's been moved, two things have happened. Our research in that field has grown, not by the millions, but by tens of millions. The most popular course we have in the whole university for interstate students coming out of year 12, which is what we want, is the Bachelor of Marine and Antarctic studies. Investment in these things makes a massive difference to how you can attract students. We are a national business and we compete on a national landscape. Our ability to track the people to come and be the engineers or the technologists or the maths teachers is so critical to our future.

Mr BEHRAKIS - Just to perhaps try and boil down the Chair's question and boil down what you were saying - what you are effectively saying is the existing facility, why couldn't you just gut it and put all the latest tech, the latest design in? Is the point you're making that the existing buildings just aren't configured to allow what is best practice today? Is that what you're saying?

Prof BLACK - Some facilities you could completely gut and get to work. Some you couldn't. Some just don't have the facilities, space, floor plates to do that. Some you could do that. It costs very similar when you're doing that complete gut and retrofit. As soon as you do that, all those buildings have to come up to contemporary code. That is everything from lifting them to current earthquake standards to current accessibility requirements. Effectively, you keep a shell and then virtually everything inside them is completely redone. There are some buildings that that could be achieved in, for some purposes.

CHAIR - Of your facilities, you're talking about?

Prof BLACK - There are some that you could do that. We're certainly open to doing that. That's if we are staying on Sandy Bay. We would look to retrofit what can sensibly be retrofitted and put the new things that needed to be new. If we're staying there, that would be the responsible thing to do and that's what we would do. The idea that you could do everything we need to do inside our existing shells just doesn't recognise the reality of contemporary facilities. That we could do both together to get a really good outcome for that campus, on what would be a significantly smaller total campus footprint and therefore long-term for us, a much more sustainable footprint -

CHAIR - You will obviously need to be in close proximity if you're going to repurpose some of the facilities. Is that right?

Prof BLACK - Yes, it would. You would definitely need the new buildings to be well-connected into the existing core of the campus. Everybody really sees below Churchill Avenue as the core of the Sandy Bay campus. That area above the ovals. Of course, we value the ovals and the sporting precinct but that area between the ovals and Churchill Avenue is the core of the campus. It would be consolidating, into that core of that campus, the combination of new and old that you would need to be able to have a truly contemporary STEM offering.

CHAIR - Is this the current plan, Rufus?

Prof BLACK - We have been asked to develop options about what our future would be. We have been consulting with our staff around what options that would be. That's been informing how we create some options between where we might want to go. What we need is a funder who is prepared to fund a good option that they really care about and believe in, and one that our staff with all their expertise, meets the requirements that they have set out and

specified in our consultation. That's the option that we need. That's an important negotiation with whoever is prepared to provide the investment the State urgently needs.

CHAIR - What cost estimates have you done on this, assuming you're staying at Sandy Bay?

Prof BLACK - Until you have a detailed design brief, you really are only talking in very in big rounded numbers, which is -

CHAIR - So it's still the \$500 million?

Prof BLACK - It's in that order of magnitude. That's a useful order of magnitude because it roughly represents what it would cost to create that amount of space. Effectively, whether you put it at Sandy Bay or somewhere else, the cost per square metre is not radically different when you have to do that complete retrofit of buildings, and with an existing campus, you also have to attend to the other issues to make that campus work. On Sandy Bay, which has significant accessibility issues, the gradient fall between the top of the campus and even the ovals is many storeys. It's a very unfriendly campus for accessibility. So, you also have to simultaneously attend to the other issues that surround it, which obviously you don't have to do if you're doing a completely new build. Our campus has to be accessible to all Tasmanians, and it currently isn't. That's why it's not a simple apples-for-apples comparison when you're looking at those, but we have taken very seriously the notion of what we do on Sandy Bay.

To take you back to the original decision - the original decision was always a complex trade-off. We had a whole series of criteria in that original decision. Inevitably, it's a judgment on balance. There's not some simple 'everything singly stacks up' in one option. We remain open to a solution that works for Hobart, works for Tasmania, and equally works for a funder.

Mr WILLIE - Just on the \$500 million cost, there's been some discussion about that in the public domain. Can we have more detail on how you arrived at that cost? Is that a cost per square metre for similar facilities?

Mr BARLING - It's our estimate. As Rufus described, two things have informed it. It's a big round number for a reason - because the level of work to develop it hasn't happened yet. But two things have informed it: what size and type of building will we need, and what does that cost per square metre at a rough level. That gets us to a number similar to \$500 million.

The other one was the work we did on the STEM business case for Infrastructure Australia back in 2017, which was for the STEM facility in the city, which did come up with a figure of around \$400 million. We've cost-escalated that through for the past six years to get to the figure. So there's two things informing it. It is only an estimate.

Mr WILLIE - Obviously, you're making a pitch. You're developing some proposals and you're going to make a pitch to, likely the Federal Government but also the State Government. Interested in the work around the contribution to the economy, contribution to education and research, or is that work being developed as we speak, or have you done some of that?

Prof BLACK - That work is absolutely being developed as we speak, and Craig might speak to it. The original Infrastructure Australia case had a very positive return on it, so we

would expect a new case to also have a very positive return for the State. Craig, you might want to speak to that.

Mr BARLING - We're doing that work now to refresh it, not because it was wrong, just because the circumstances have changed. Our positive 'benefit-cost ratio' is how Infrastructure Australia works it out, which is the benefit versus the cost. We're sitting close to two - which not many projects get even near. As an example, I think the Bridgewater bridge was below one.

Mr WILLIE - Don't mention the stadium.

Mr BARLING - I'm not sure that's been through that process yet. Nonetheless, what we have is a business case that Infrastructure Australia was very strongly supportive of, which mirrored the northern one. Just to give you some reality to a theoretical business case, our northern business case went in with a similar perspective - that had a benefit-cost ratio, I think, above 1.5. We are seeing the benefits of that right now. It's not just a theoretical exercise to go, 'yes, will this work, won't it'. When we look at things like the IMAS example I gave, the investment we made of \$60 million is paying itself back in tens of millions of dollars of research every year. It's paying itself back in lots more students coming to that facility. The business cases we're preparing, with great benefit-cost ratios - better than most other projects around the country, let alone the State - are actually reality ones - they come to life.

Mr WILLIE - So, Tasmanians and decision-makers will be able to compare proposals with that sort of information for both? One where you remain on Sandy Bay campus in a scaled-down footprint, and one for the city still?

Mr BARLING - Yes, that's how we're refreshing it. We're refreshing the whole business case. That was done in the first version, but it was done on a city basis first. We're actually refreshing the whole thing to say, yes, 'let's get those two scenarios' versus our 'what is the base case', which is running with the current facilities with no investment. These business cases work on a very rigorous basis to say, okay, work out what your current base case is based on current investment, based on current student numbers and the trend over time. Then it goes, okay, here's your scenario, let's say that's building a new STEM facility on Sandy Bay. What does that cost and what's the benefit of it, versus the same things for a city location for that build. We are going through that exercise right now. That was in the original business case, and we're refreshing those numbers at the moment.

Prof BLACK - Often what those business cases don't capture - and the IMAS example is an excellent one - is the strategic importance of the State. The fact that this is indisputably the home of Antarctic science and research is a really vital part of what anchors the fact that we have a whole Antarctic sector. If we didn't have that, then the proposition to be able to move the logistics to Fremantle becomes very high. It's closer to the Antarctic, it has excellent facilities.

CHAIR - They probably have a wharf.

Mr WILLIE - A functioning one.

Prof BLACK - This is where the hard-to-move human investments actually anchor at strategically important parts of an economic future for the State. That's a really important part of why you want a STEM workforce. That is a workforce that creates real local stickiness for

the industries that rely on it, whereas, if you don't have industries that are linked to a hard-to-move workforce, then they are easily footloose.

Tasmania has experienced what happens too many times when we are dependent on industries that can move easily. What makes industries sticky in a modern economy is knowledge and skills intensity, where those knowledge and skills are generated locally. Probably the State needs to increase its focus on the extent to which that has to be the core economic future of the State. That's also a high-productivity economy, which we clearly need if we're going to work our way out of the challenging financial circumstances the State is in.

To not be investing in effectively what underpins the human capital competitive advantage of Tasmania, that would be surprising. I think that those who gathered around investing in the north really understood that. That was a city deal, with all components, all levels of government and university, committed to the economic and social future of the north of the State, in a way that I think makes a great deal of sense.

CHAIR - With the IMAS example, I'm interested, I noticed on the slide, the philanthropic funding research - that's a steady figure all the way through there. Is that because that's it? I would have thought research grants are applied for all the time.

Mr BARLING - The way we manage that number is, we take today and we index it up. We don't presume we're going to receive extra donations. There is the capacity for that in our system, but again, we're running with a funding model here to help make sure the university's finances are managed carefully and in a considerate way. So the assumptions within that philanthropy line - that number in that model is the assets we hold from previous donations. It's not the incoming income every year that sits within our operating result.

Mr ROSE - If I can just add, the assumption there is that any money we receive is also going to be quarantined for those future purposes. So for the purpose of the funding model, it doesn't impact our unrestricted funding. Money in - it's tight funding, basically. We don't try and project what that number would be, because it doesn't impact that unrestricted available funding for us.

CHAIR - The new, refreshed plans - the strategic plan - I assume it includes proposed changes to internal funding arrangements, including a proposal that the costs of research, including staff costs, are covered by funding sources external to the university. Is that what the assumption is?

Prof BLACK - That is the assumption. We recognise it's a long journey to get there. So that's our objective, to do that. Again, our most competitive areas of the university, for example, IMAS and TIA,⁴ are equally the ones that do the best job at seeing the cost of their research kind of covered by the external funders.

This is really important, because in the accord funding environment, part of the way that is set to be structured is to focus on funding all that's needed to educate students and actually to reduce the cross-subsidy that's available for research. Universities that don't find ways to cover the cost of their research will find themselves financially really challenged. We have, for some time now, recognised that was a reality where funding was heading in Australia and

⁴ Tasmanian Institute of Agriculture

therefore the need to make sure when we are getting research funding - and remember a very small amount is philanthropy, most of it is government grants or industry grants - so, that's a really important part of how it needs to work. The one thing that none of that covers, though, are the capital costs of the research facilities in which that work happens. That's the continuing challenge - that just covers the operating costs of doing that work. It doesn't cover the very substantial capital costs of it occurring.

CHAIR - Are you looking to move, I guess, to requiring full external funding for research?

Prof BLACK - That won't be possible in all areas. There are some areas where the very nature of the kind of work, it's very hard to get full recovery. In as many areas as we can, yes, we do want to see as full a recovery as we can practically achieve. The accord direction is clear about that, too. It directs government, when it's funding universities in the future, that it should be doing as good a job as it can to other departments to cover the full cost of the research they're asking to be done.

It's a recognition that we are needing to move away from the world of universities engaging in all of these complex cross-subsidies. That, if you like, in modern funding - and we've seen it in health care and other systems - is you're wanting to fund for the activities that you're paying for as a government. So, if you're paying for students' education, just as if you're paying for hip operations, you want to pay for those. That's a modern, contemporary way of going about public sector funding, but it has really significant implications for universities, because traditionally, we have relied heavily on that sort of cross-subsidies. You saw from the international student picture that the model in Australia has never actually provided sufficient even to do the basic set of things we've needed to do. So, we've always needed a reasonably large number of international students to fund the basic things that Australian governments ask universities to do.

CHAIR - Going back, you mentioned that doesn't include the capital cost to provide the facilities.

Prof BLACK - That's right.

CHAIR - We did put some questions to you about your capital programs. Acknowledging that COVID did create cost challenges for everyone, including those building houses, can you provide some information about the capital program? What the budgets have been, have they come in on budget?

Prof BLACK - Yes, we can. Craig can speak to that.

Mr BARLING - I'll probably give you the perspective of the projects we've completed first, then the projects that are underway, because I know there's been speculation around both.

The projects we've completed - and I include Northern Transformation - the projects in the north that we talked about funding, we have spent, over the last 10 years or so, close to \$600 million. The budget estimates we take into those are always informed by various factors. Our ability to manage to those cost budgets has been really quite accurate, though. Once we get to a point of an approved construction budget, that is approved by our council, \$574 million

is the exact figure we've had over that period of time. We have been within 5 per cent of that range. So, with all the conditions of escalating costs, of all the conditions -

CHAIR - Over what period of time was that?

Mr BARLING - The last 10 years for all completed projects. Some are up and some are down in different ways. But net for the \$574 million, we are hitting it very accurately. The net difference - 5 per cent reflects some of the variances - the net difference is less than 1 per cent.

We've actually managed to deliver, within that \$574 million, within 1 per cent of the approved budget from our governing body. That's a good track record. I know there have been some comments around some of the active projects, and I'm happy to talk about Forestry in that context, because that's been something that's been there. The way that project has been brought together reflects the fact that as projects develop, your scope changes. With actual Forestry, some of the parts of that changed because we bought Freedom halfway through.

There was a cost estimate for \$80 million, that did include a redevelopment of that site that didn't include the extent of changes we are now doing, which includes a large redevelopment to Freedom, the old Freedom building there. So the scope went from one building to two, and the Freedom building is almost just as big as the Forestry building, just so you know, in terms of size and scale of what we're doing.

As we hit that, we had to re-estimate what it was going to cost, and we had to assess that against the benefit it was going to deliver. What we don't do is just increase cost budgets without understanding what that extra investment is going to do for how many students we can have in that building, how many staff we can have in that building, and how much research output we can have in that building. That assessment, as we go through those cost increases, was done. That then informed an increased cost that we thought was very beneficial to the extent of activity we could put into a new facility, teach our students in a better way, do better research like Rufus has described that then we increase the cost budget to \$130 million.

From that point, we did incur some cost escalations on that project, the building industry through COVID and post-COVID has gone up by 30 per cent. If you think of the increase we've had on this project, which is, from 130 to 140, I can't remember the exact number, I'm sorry. We're managing well within the pressures that the industry is incurring.

The assumption that those big increases are due to poor management, they're actually due to our very careful consideration about how we design those buildings and how we get the most amount of output from them to maximise that investment.

CHAIR - What's your expected benefit-cost analysis of the Forestry building with the Freedom building included?

Mr BARLING - We don't do a BCR⁵ like I described for Infrastructure Australia. That's a very involved exercise. What we do is assess how many students we can have into that facility versus what we have now and how much research we can produce. In particular, that facility is going to have a large number of our staff in it too.

⁵ Benefit cost ratio

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CHAIR - Can you give us some figures around that? What the expectation is?

Mr BARLING - The expectation around the exact students? I might need some help with that.

Prof BLACK - We'll take that on notice and give you the details.

Mr BARLING - I don't want to get them wrong. I'm sorry. I have a broad estimate.

CHAIR - That's alright. You said it could have a number of staff in there. What's going to be based in those two buildings at the conclusion of the works?

Mr BARLING - A large number of facilities. We're still working through exactly what disciplines will go into that building. We know there will be a large part of our administrative function as part of that facility. We know our Business School -

CHAIR - Are moving from the Sandy Bay Campus to there?

Mr BARLING - And some that are based in the city. That detail's still being worked through. Remember, this building is not finished for another 15 months. That work's still happening. We're working through with our disciplines now around who gets to go in that facility. I'm framing it that way on purpose because it is a wonderful facility. Our staff have started to go through it. We've started to share it with members of the community. That process is underway right now, but I can't specifically name those at the moment other than we know our Business School will go in there.

CHAIR - In terms of providing to the Committee some figures around what the description you gave us around your cost of Cap X -

Prof BLACK - We can give you the number of students that building supports and the rate of utilisation we get in that facility compared to what we would have on Sandy Bay. That's really where it becomes chalk and cheese between what level of utilisation we can get from that kind of building. Therefore, it becomes not just a much higher quality teaching environment.

I think if you want to kind of sense what that looks like, compare the contrast between what we've experienced in the north between what you'd see at Newnham and what you'd experience on the Inveresk campus. You need to see us do that kind of contrast to understand the change in experience that we're talking about and the change in utilisation that we can have in that space. Therefore, the kind of density of students that we're able to bring together and the experience that we're able to create in that space.

Mr EDMUNDS -Do you have northern-specific data, maybe it's too early, about your ability to retain students with a more contemporary offering? Chair and I had a different Committee which utilised the River's Edge yesterday. It was fantastic to see the students in the contemporary spaces.

When I was enrolling in university in 2000-2001, it was no way I was going to Launceston campus, even though I grew up there, because I wanted the experience of what was offered down here. Looking at that yesterday, I was thinking about my daughter and I was

thinking if she wanted to go to Launceston and go to university, I thought this actually is an offering that, that would be good.

Just put that comment to one side. Is it too early to ask if you keep those numbers because I imagine it would make it easy to keep students and you talk about that stickiness in the industry, but even just in enrolments.

Prof BLACK - Yes. We are seeing an uptick in enrolments which is excellent. We won't know really for until - kind of students have completed a full cycle, of what that is. What we do know though is we participate in a large-scale national survey of student experience of spaces. Those facilities have taken us to the very top of the list of the kind of quality of experience students report having in those spaces. So they've gone from not a great experience to some of the best experiences you could have.

In locations like ours, which do require students to make quite big choices about whether they're going to stay, but equally whether they're going to come, you have to win on every front. There are a lot of very attractive campus environments around the country. In order to make themselves sticky and attractive, universities continue to invest enormously in creating those environments. We would anticipate that the benefit of that will be real but retention is about a lot more than space and retention is an awful lot about disadvantage and whether or not we can overcome the many barriers to completion that students face which are practical, they're financial, they're often to do with their mental health and wellbeing.

That's why, the university's accord aims to create a needs-based funding system which will go after those things that once we can get them liking them on the campus to see them completing, we need to invest a lot around them. Given the State from where some students arrive, we have to invest to make sure that we continue to provide the best possible academic preparation for those students so that they're fully equipped to succeed. It's a very holistic kind of project but there's no doubt that one of the things that makes students sticky is, do they have a friend? Do they have a sense of belonging?

That's where campuses that actually do if you're an on-campus student, remember that's only a portion of students because of those who are fitting into the rest of their life, the better a campus can work. Often, in our kind of world, it's the better an individual building can work because being on a big campus just wandering around doesn't lead you to bump into people. This is why the STEM piece matters.

When you are after your class, not just wandering off on a big campus, but you are actually able to study there with other students who are in the same class as you are, and possibly some people you see week in week out who are doing other things, you have a chat. If that happens to be a cafe there, you have a chat. That's why modern spaces really need to reflect how do you create that kind of social engineering that creates belonging, creates connection, creates friends and that on a modern campus needs to be a deeply thoughtful project.

That's what you will see in those spaces in Launceston, we aim to make them. They all have internal atrium spaces where students can study together. You see it in the ground floor of the library. There's a cafe there. We put a lot of deep thought into effectively creating the social engineering to make those things work. Our old buildings are not like any of those.

Mr BEHRAKIS - You were saying that construction costs over the last few years have gone up by 30 per cent and then the impact that had. Do you know how much from the totality of all these projects has gone over what was originally estimated? Do you have those figures?

Mr BARLING - The variance of the original estimation is sometimes difficult. I'll give you an alternative example, which is the Northern Transformation Project.

When we put the submission to the Federal Government, we asked for \$400 million to do the northern campus and just the Launceston component of that. It didn't include the Burnie one, which cost above \$50 million and we ended up getting \$300 million which we're very pleased about, but we then had to build to that.

The original estimate for us to build the right size and the right space for all our students in the north was \$400 million. We had to do that on a budget of less than \$300 million. Sometimes we don't get money for the original estimate and we have to work to a different outcome. Sometimes with the Forestry example, we end up due to really good circumstances and thinking around what we want to do in the city, having extra opportunity to that original estimate. So we don't necessarily go back and look at those original estimates because the scope generally changes quite significantly. What we do is manage to what our approved budget is once we've done the space planning, once we know what the construction cost will look like, not to the point of getting to a guaranteed maximum price, the GMP, which is a really important instrument we use to manage costs once projects are approved but we certainly do need that detailed space analysis and the scope to be done to be able to assess our accuracy around that. That's the number I was giving you earlier that we've landed that within 1 per cent.

Mr BEHRAKIS - I know the properties that have been developed in the Forestry building in the city. There are also some properties that have been bought and they're either not used or bought and then disposed of after the fact. What's the financial impact of having bought those and then - was it that you bought them and they weren't as useful as they were expected to be? What's been the loss or the financial impact on those?

Mr BARLING - The hotels is a prime example there, which is a reasonably common example in Hobart. They were very useful assets. Remember at the time when we were at the record number of international students, which we've shown drives a good operating result for us - that was on the back of making sure we had accommodation for them that year. Those hotels were bought for that purpose, and they absolutely delivered value for this university, knowing that we make a large amount of money - international students as you've seen, tens of millions. Those assets, once COVID hit, weren't needed for that purpose, and we also built over 400 beds of our own to help do that. They were there to bridge a gap.

What we did at that point is we put them into commercial arrangements. They have yielded what a normal commercial asset would yield through that period of time. The decision to sell them was purely around choice. Do we draw down our investment portfolio? Do we think about what other resources we have to commit to it, or do we sell surplus assets? The decision was that they were surplus to needs. We were never going to use them as accommodation in the foreseeable future because we have the capacity as we described last hearing. The decision to sell them was a reasonably clear financial decision to dispose of them.

Mr BEHRAKIS - You bought it, got your use out of it, and got rid of them. It wasn't a case of you bought it and then realised after the fact that it wasn't quite there? I suppose that's sometimes some of the stuff that has been suggested, that it's -

Prof BLACK - They were really valuable. Remember that the important part of the reason we did it was that this is part of our social obligation to ensure we're managing housing in Hobart. We bought that to take pressure off the housing market so that we were providing for those students. In many other cities - that's why there's upset in some other cities, because universities haven't done things like that and it's crowded, it's put a lot of pressure in local housing markets.

They served us very well. Even with COVID arriving, they've still yielded us a good return. We wanted a long-term solution, which is why we built our own space, which was much better purpose-designed for students, but part of just responsible citizenship in Hobart.

Mr BEHRAKIS - I've got a couple of other questions on other matters. I'm trying to find where it was, but some figures were sent to me via the Commonwealth Department of Education which said a large number - I think was something like 30 per cent of Tasmanian students are enrolling at interstate universities as opposed to UTAS. Is there some explanation for why they're not enrolling in UTAS and they're going elsewhere. What's the plan to bring them back here?

Mr BARLING - Bring them back? That's a complicated question. Higher education is a national market. That's something we're very realistic about. We offer a comprehensive set of courses, but we don't offer everything. The first reason students leave us is because we don't offer veterinary science. It's too expensive; we don't get the placements from the government to do that. There are some other courses like that.

The national competitiveness that Rufus has described before around how the mainland universities are targeting our Year 12 students in particular is a strong dynamic, and something you need to work with. There's nothing wrong with our students going to get a good education in a degree that we can't offer, or an experience we can't offer, and to then use those skills to help us. A lot do come back.

There is a large online component in Australia around higher education too. The 30 per cent you see, a large part of that, in fact the majority of that, would be online students. I'll just remind you that we are the fourth biggest online operator in Australia. The students we perceive to lose because they've chosen to do it with another university, which may be a course or something that we don't provide, we get back in spades.

Mr BEHRAKIS - You're suggesting it's sort of a 'you win some, you lose some', but we're winning more than we lose?

Mr BARLING - We are absolutely winning way more than we lose. Even from a Year 12 perspective now - so the Year 12 students people talk about a lot, we are getting more back than we are losing elsewhere. We know, because of Tasmania's hook, our Year 12 students quite often come back to Tasmania.

CHAIR - In terms of attracting them to the STEM facility, I guess that feeds back

Prof BLACK - We want to hold and attract.

Mr BARLING - We are uncompetitive right now; there is no doubt about that.

CHAIR - Why hasn't that building been invested in over the years? That's what some would say. I tend to agree. Why did you just let it go as it is?

Prof BLACK - We didn't just let it - I think what Craig's outlined and what we provided you last time with the economics of the university that went back a good distance. Universities never had that amount of money to invest in those sorts of facilities. This is the kind of long-term challenge - and any time that there has been a government funding scheme. I think the university's past governance has been deeply responsible. When opportunities arose, we invested in medical science. That was a choice to say that medical facilities were vital to Tasmania's future, which STEM things would you prioritise for medical science?

CHAIR - So, the Menzies Centre?

Prof BLACK - Menzies, yes, but it's more than- it's not just Menzies. It's pretty much all our health teaching. That was a really strategic - but it was only because government money was available. Then when another government scheme was available, different groups said, 'let's make sure that we strengthen IMAS', and we've heard the story about that today. That was a set of government money. Then, when a different window opened up under a different funding scheme, we invested in the north.

That's just a recognition that the only way these things ever happen in our kind of university is that way. Now, there are universities that can do it, but they're universities that have 40 per cent international students. Who in the country is able to do it without lots of government help? It is a small number of -

CHAIR - Quite wealthy universities.

Prof BLACK - Very wealthy universities - who are historically wealthy, but equally, who are making a choice to have upward of 40 or more per cent international students. You can see what that would do to any university's economics. That will never be a regional university in our kind of setting and, to be quite frank, we wouldn't want to be that kind of university. We are a university here for Tasmanians and Tasmania, where we want our international students to be an integral part of a great education for everyone. We start with an educational proposition about international students and we want them to be fit and suitable to be part of a great education and to be good for Tasmania. That's a strategic choice, as well.

Mr BARLING - Can I tie it back as well - just a very brief thing - to the previous question around Launceston and Hobart? We've invested in these facilities in the north, now. We spent over a billion dollars over the period of redoing our facilities. What we're going to have is a situation where our students in the north have a different experience than students in the south and I don't think that's fair and equitable. That's where we lose students interstate. That's where we lose students to higher education altogether.

CHAIR - That's why your medical students like to come, for the Rural Clinical School.

Mr BARLING - They do. They love it up there. They absolutely love it.

Ms LEIS - Could I add to that, Chair, specifically to your question? Reminding as well, on that slide, there's \$30 million a year under the current funding envelope that's sustaining capital. The university has always maintained and replenished capital to ensure that these buildings - I mean, we have students in there right now -

CHAIR - I understand that, yes.

Ms LEIS - -they are working buildings that the university cares about and makes sure that they are delivering. What we're talking about is two different levels. There's the \$30 million of sustaining capital that the Audit and Risk Committee, for example, is very interested in making sure we're maintaining what we have and making sure it's functional. Then, we're talking at this strategic level about how we do the long-term capital replenishment.

Mr BEHRAKIS - On my previous comment about 'winning more than we're losing', as far as the interstate and we're playing in the national market, so to speak, and all that - Figure 13 in the document the university provided in response to questions, suggests that the people leaving - Tasmanian Year-12 leavers going interstate is outpacing the inflow of interstate students from elsewhere. How does that jive with the 'we're winning more than we're losing'?

Mr BARLING - That's just Year-12 students, and that's from two years ago. We do track it; this is data that we get from the HEIMS system. We track it year to year and our information shows that we've crossed that threshold now. And, that's just Year 12. We have over 30,000 students at our university. We're a population of half a million people. The vast majority of those students are interstate students. We are properly punching above our weight in this regard, and the fact is, we could not sustain our university financially if we didn't.

Sometimes those programs are profitable and drive a profit. Sometimes they're actually to help us deliver scale to a course that's needed in Tasmania - that if we didn't offer and didn't get interstate students studying online, that course's viability would come into question. So, there's both a financial parameter here, but there's also an actual mission-driven thing as to why that interstate education is so important to us.

Prof BLACK - Building on Craig's point, the way funding occurs in higher educational strategies, if you're not a university of close to 20,000 EFTSL (Equivalent Full-time Student Load), you're not going to have sufficient scale to be sustainable. We're not like other parts of the world where universities are funded to be tiny boutique places. It's a policy choice, not made by us. It's a national policy choice. That's why we have to have a significant number of interstate students or we couldn't provide for Tasmanian students because we couldn't be a university with the kind of scale needed to offer a really world-class offering to Tasmanians. That's why running this university is a complex mix. But, the other big strength of interstate students, given our population challenges, is that we want as many of them as possible to be Tasmanians by choice. Those who come here, love it, and stay because we need lots of young people. We need skilled young people and we need them to stay. It's a strategic play for the State to attract interstate students to be here and to be interested in Tasmania.

CHAIR - Just a quick one, if I could. The restructuring cost that was in the previous slide presentation. In 2023 it was \$9.5 million. We put this question to you. Are able to provide a breakdown of those restructuring costs, what that actually relates to and what restructuring costs were included or factored into the models that you presented earlier, Craig?

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Mr BARLING - Yes, I think we gave a breakdown of what the academic versus professional has been.

Mr ROSE - I can address that right now. It's \$6.4 million of the \$9.5 million were professional and \$3.1 million were academic staff from that restructuring in 2023. That's delivered especially on the professional side, I think we mentioned the professional restructuring we went through last year, particularly in the leadership of some of our areas and the consolidation of some of the divisions. That's delivering approximately \$10 million in ongoing salary savings. It has paid itself back in 12 months.

Mr BARLING - In terms of whether it was included in the funding model? Yes, you would have seen the line item in our cash outflows. It was 'other'. It's included in there. The reason it's included outside of our operating cash result is because one, it fluctuates from year to year depending on circumstances and second, the whole sector benchmark our operating result and they exclude it. If we include it, we end up not being comparable to other universities. There's good logic as to why it's excluded, but it is tracked very closely, but it does tend to fluctuate.

CHAIR - We are out of time, so thank you for your appearance today. We will revisit the series of questions we sent. You've answered a lot of the information along the way. It was really to give you some idea of what sort of things we want to understand. We do appreciate your appearance today and thank you.

THE WITNESSES WITHDREW

The Committee adjourned at 12:42 pm.