

Talking Point: UTAS is literally a law unto itself

UTAS annual report shows property development is the tail wagging the education dog, says JOHN LAWRENCE

If annual reports were marked like university assignments, the University of Tasmania's latest effort would receive one out of 10.

UTAS reports on a calendar year basis. The Auditor General signed off the 2019 report in February. The Board (known as the Council) adopted the report in May and sent it to the government as required. The government released the report in late August, eight months after year's end. Were it a listed company it would have been suspended.

Apart from the financials it's a pretty skinny report. The overview for the year occupied only six pages. Even then it contained a cut and paste from a previous offering, a Strategic Plan dated July 2019. UTAS is "not long-term economically sustainable and being economically sustainable is no easy task ... At an operating level, we break even. Still, there is no surplus to see our facilities renewed for the next generation."

The brief review continued with a pastiche of proper nouns and acronyms which only an insider could possibly comprehend. Four paragraphs on risk management described how UTAS had worked collaboratively, reviewed, planned and implemented recommendations. Exactly what was implemented to address what risks wasn't disclosed.

Essentially UTAS's chosen transition to sustainability requires more students and that requires more student accommodation. Property development is now the tail wagging the education dog.

The financials confirm this. UTAS's net profit was \$73 million on revenue of \$777 million. This occurred pre-COVID. The core activities of teaching, research and community engagement produced a loss of \$2 million. Non-core activities resulted in a \$75 million profit, mainly unrealised gains on investments of \$60 million and interest and dividends of \$14 million. The investment portfolio was worth \$442 million at year's end. Calendar year 2019 was kind to share punters.

In 2019 UTAS spent \$206 million on capex. That's more than the state government if one ignores the Royal Hobart Hospital spend. Borrowings jumped from \$93 million to \$210 million.

There's another liability on the balance sheet — \$123 million described as a "grant of right to operate" which for all intents and purposes is a borrowing. UTAS received a lump sum of \$133 million in 2017 for the right to operate and receive the rents from some of UTAS's student accommodation. Essentially UTAS has swapped future rents for a lump sum payment. It is safe to assume UTAS has guaranteed future rents and is locked into a 30-year deal.

Similar deals appear to be in the pipeline. The 2018 Annual Report referred to a mooted Melville St building to accommodate 422 students. The Midcity and Fountainside hotels were also bought by UTAS for student accommodation.

A pattern is emerging. Develop student accommodation, search the globe for students, lower the grades necessary for students to pass so they stay, sell off 30 years' worth of guaranteed rent, buy more property and so on.

Sustainability also means being able to adequately fund research. Running a property scheme hoping to fund a nation's crucial investment is a sad indication we have lost our way. More is being spent on student accommodation than the government spends on social housing. Just as privatised aged care has become a property play, so too have universities. Wage costs as a percentage of total expenses have remained relatively stable at about 58 per cent. Most expenses, as one would expect, are wages. But there has been a slow and steady shift from academic wages to non-academic wages.

Over the past 10 years, academic wages, which includes teaching and research, has fallen from 56 per cent of total wages to 51 per cent. Even with scaling up, taking in more international students, the shift away from teaching and research wages has continued unabated.

UTAS has its own governing Act of Parliament. However it's not answerable to anyone. It merely has to tell the government each year what it has received and spent. Little wonder it was able to serve up such a disgracefully brief report into its perilous state. It mustn't be forgotten that the federal government is largely responsible for setting the parameters that have pushed universities in the direction all have taken. The influx of international students has crush-loaded city infrastructure, pushed up the price of inner-city housing, reduced housing availability for local workers and aided and abetted wage theft in the service economy. Nowhere is this more apparent than in Hobart.

UTAS retains its anachronistic status as a law unto itself. Its statutory obligation to act with care diligence and in good faith to further its own interests has given it carte blanche to become a property developer with a side hustle in education. It is way beyond time to overhaul the governance of such a crucial public body.

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