

The University of Tasmania

Dated 9 July

Emeritus Professor James Guthrie AM, Professor of Accounting

Motion to Establish a Joint Select Committee to Inquire into the *University of Tasmania Act 1992*, 25 May 2022

Tasmania Legislative Council inquiry into University of Tasmania

Thank you for the opportunity to submit this critically important inquiry. This inquiry is significant for all Australian public universities as there have been few independent inquiries into the tertiary education sector in recent decades, leaving it to develop largely unchecked. An exception is the New South Wales inquiry established on 28 May 2020 to inquire into and report on the future development of the New South Wales tertiary education sector. The scope differed from the Tasmanian inquiry, where the focus on the University brings the critical governance issue to the fore.

The motion to establish the inquiry was as follows:

6. Mr Valentine to move – That a Select Committee be appointed, with power to send for persons and papers, with leave to sit during any adjournment of the Council, and with leave to adjourn from place to place, to inquire into and report upon the provisions of the University of Tasmania Act 1992 with particular reference to —

- (1) The constitution, functions and powers of the University;
- (2) The constitution, role, powers and obligations of the Council and Academic Senate;
- (3) The appropriateness of the Act to ensure accountable executive, fiscal and academic decision making;
- (4) The appropriateness of the Act to protect and promote academic freedom, independence and autonomy; and
- (5) Any other matters incidental thereto.

In several refereed papers and articles for a general readership, I have argued that there is an urgent need to review the public governance of Australian public universities and their public

accountability.<sup>1</sup> Those working in and with public sector universities are urging changes in their governance and how their public accountability should be achieved.

The Tasmanian select committee inquiry is an opportunity to review a specific university to explore contemporary governance and public accountability issues. A focus should be on the operations of the University Council.

The role of the University Council is set out in its annual report:<sup>2</sup>

#### UNIVERSITY COUNCIL

The Council is the governing body of the University, established under the University of Tasmania Act 1992. Under the Act, the Council has responsibility for high-level strategic direction, major financial planning, monitoring management performance and compliance, staff appointments, and the allocation of funds.

Council delegates broad powers to the Vice-Chancellor (the managerial and academic leader) to manage the operations of the University in conformity with agreed plans, principles, and policies. The Vice-Chancellor, in turn, empowers other members of the University Executive Team.

Council is advised by its committees (Audit and Risk, Built Environment and Infrastructure, Ceremonial and Honorary Degrees, Finance, Remuneration and Nominations, and University Foundation) and in relation to academic matters, the Academic Senate.

While the University Council should be at the heart of strategy and the driver of quality teaching and research, the corporatisation of public sector universities in Australia has seen the executive gain dominant power. These universities are public institutions created by Acts of Parliament. A public agency accredits and regulates degree confirming ability. Public universities have a legislative responsibility to serve public ends. Nevertheless, increasingly

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<sup>1</sup> Guthrie, J. (2022), "New ways to make university managements accountable: Australian public universities' governance is neither accountable nor transparent, and the oversight of senior managerial behaviour is tenuous at best", *Campus Morning Mail*, 9 May 2022.

<https://campusmorningmail.com.au/news/theres-more-in-the-mail-742/>

<sup>2</sup> University of Tasmania annual report 2020

they resemble profit-driven corporations in their financial governance and fail to act as public institutions delivering public value. Reinforcing their position as if working in the public interest, public universities are registered as charities.

Public Universities Australia (PUA)<sup>3</sup> has issued a Declaration of the principles, practices, and protocols that should guide Australian public universities' governance, funding regimes, and praxis.<sup>4</sup> The Declaration urges Australian public universities' governance, like that of their OECD counterparts, to be collegial, transparent and accountable. Furthermore, PUA has summarised these principles in a series of actionable points, which have also been translated into a hypothetical 'Model Act' to re-establish Australian public universities as statutory bodies owned by and acting for 'the public'.

In recently published research, Pelizzon et al. (2022)<sup>5</sup> examines the governance of Australian public universities and empirically establish the way they are dominated by business leaders and consultants, arguing that this points to a failure of governance. They examine this failure of leadership through the lens of Australian public universities' statutory nature and governance structures, cast against contemporary rhetoric in which universities are metaphorically equated with commercial corporations. They seek to determine the extent to which this metaphor is accurate and ultimately (they contend) detrimental to an effective and efficient university sector. They conclude that the main problem with Australia's public universities is not a lack of revenue or disposable or accumulated assets to withstand the COVID-19 health crisis<sup>6</sup> but a governance regime that has progressively reduced the ability to fulfil universities' statutory mandates' centuries-old purpose.

In July 2021, I analysed the state of the University of Tasmania's finances. However, their 2021 annual report is still unavailable as of today. This should be available three months after the end of the financial year so stakeholders can debate what has been happening at the university over the previous 12 months.

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<sup>3</sup> Public Universities Australia group defines itself as follows "We represent the broadest range of voices constituting the Australian university sector. Never before have so many of the key organisations come together for the purpose of instigating broad and urgent changes in the Australian university sector."

<sup>4</sup> see <https://puau.org/>

<sup>5</sup> See Pelizzon et al. (2022), "Australian Public Universities: A crisis of governance", *Social Alternatives*

<sup>6</sup> Guthrie, J. (2022), "Rhetoric and reality of public sector university finances: decisions made by a few elite people behind closed doors significantly impact staff and students", *Campus Morning Mail*, 28 April 2022. <https://campusmorningmail.com.au/news/rhetoric-and-reality-of-public-sector-university-finances/>

Therefore, I examined the University of Tasmania's financial statements for 2020 to understand the critical information concerning its financials. There has been discussion about a \$500 million transfer of the current campus to Hobart's CBD, strategic investment in future student accommodation in the CBD (amounts not determined) and deterioration in working conditions for academics and professional staff.

In 2020, the media reported that the University of Tasmania slashed degree offerings in cost-cutting exercises to stay sustainable. Also, it proposes a staff pay freeze as it faces an annual revenue loss of up to \$120m due to COVID-19. It will be interesting to see if this claim was maintained in 2021 or if it is simply another management strategy aimed at muddying the waters around discussion of staff cost-cutting, declining working conditions and the quality of student experience.<sup>7</sup>

The attached spreadsheet shows revenues and expenses from the University of Tasmania's continuing operations over the last 12 years. It reveals the significant increase in international student fees in recent years, along with investment income and growth in other expenditures that are arguably 'non-core' to its primary functions as a public university.

The University of Tasmania states that its activities consist of learning and teaching, research, knowledge transfer and research training, community engagement, and activities incidental to the above-mentioned educational activities. However, as its own financial records demonstrate, the U university is better characterised as a property development business and a financial institution with significant money under investments. As I have detailed elsewhere, this business model has been adopted by many Australian public universities over the last decade. Australian universities' operations and functions have been reshaped under the influence of a market rationality that seeks to licence them as storefronts for making money. In the process, they have been empowered by successive legislative changes by governments at the state and federal levels to reconfigure their governance structures along the lines of a discredited business model, that has reduced faculty to contract labour, and positioned students

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<sup>7</sup> Guthrie, J. and Lucas, A., (2022), "How we got here: Australian public sector universities and finance, accounting and the audit society", *Social Alternatives* 41(1)

primarily as customers.<sup>8</sup> Against the increasing corporatisation of higher education, the Australian people need to reclaim education as crucial to the project of democratisation, educating students to be willing and able to engage in the relationship between equality and social justice as fundamental to public life and provide the conditions for educators to connect their teaching to broader social issues. That claims Australian public universities as a public good, not a commercial business.<sup>9</sup>

Like most public universities, these are autonomous institutions that are established under state or territory legislation. The following from the *University of Tasmania Act 1992*, Version current from 1 January 2013 to date (accessed 22 July 2021 at 13:57), are the stated functions of the University.

#### Functions of the University

The University has the following functions:

- (a) to advance, transmit and preserve knowledge and learning;
- (b) to encourage and undertake research;
- (c) to promote and sustain teaching and research to international standards of excellence;
- (d) to encourage and provide opportunities for students and staff to develop and apply their knowledge and skills;
- (e) to provide educational and research facilities appropriate to its other functions;
- (f) to promote access to higher education having regard to principles of merit and equity;
- (fa) to foster or promote the commercialisation of any intellectual property;
- (g) to engage in activities which promote the social, cultural and economic welfare of the community and to make available for those purposes the resources of the University.

These functions, as outlined in the *University of Tasmania Act 1992*, make clear that the University's proper functions are public value activities of a public university in Tasmania's

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<sup>8</sup> Parker, L., Martin-Sardesai, A., and Guthrie, J. (2021), "The commercialized Australian public university: An accountingized transition", *Financial Accounting and Management*, <https://doi.org/10.1111/faam.12310>

<sup>9</sup> James Guthrie (2021), University of Tasmania, *Campus Morning Mail*, 26 July 2021  
<https://campusmorningmail.com.au/news/university-of-tasmania-in-the-research-teaching-and-property-development-industries>

public interest. However, very different discourses about costs and value are embedded in the neoliberal policies that inform executive and senior managerial decision-making which are informed by accounting discourses that are better suited to commercial, for-profit corporations. A more spatially and ethically grounded accounting discourse of the costs and benefits to the Tasmanian community would more properly embed though functions as outlined in the Act, rather than those of commercial property development and investment corporations as is currently the case.<sup>10</sup>


Attached The University of Tasmania financial data 2008-2020

Regards

James

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I acknowledge the traditional custodians of the Macquarie University Land, the Wattamattagal clan of the Darug nation, whose cultures and customs have nurtured, and continue to nurture, this land, since the Dreamtime. I pay my respects to Elders past, present and future.

[Google Scholar Profile](#) [Staff Profile](#)

Joint Founding Editor, Accounting, Auditing and Accountability Journal

<http://www.emeraldgrouppublishing.com/aaaj.htm>

Founding member of the Centre for Social and Environmental Accounting Research

<https://www.st-andrews.ac.uk/csear/>

I have been recognised by Stanford University as one of the top 2% of scientists in the world for 2019, 2020 and lifetime. Full story and methodology found here <https://journals.plos.org/plosbiology/article?id=10.1371/journal.pbio.3000918>.

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<sup>10</sup> Andrew, J. and Cahill, D. (2017), "Rationalising and resisting neoliberalism: The uneven geography of costs", *Critical Perspectives on Accounting*, Vol. 45, pp. 12-28 <https://doi.org/10.1016/j.cpa.2016.09.001>

- 6 June 2022 [How we got here: The transformation of Australian public universities into for-profit corporations](#) (with James Guthrie), *Social Alternatives*, April 2022, 41(1): 26-34.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	% Change from 2008 to 2020
<b>Total Revenues from Continuing Operations</b>	<b>462,764</b>	<b>443,994</b>	<b>475,772</b>	<b>470,464</b>	<b>530,521</b>	<b>537,212</b>	<b>544,215</b>	<b>588,703</b>	<b>602,774</b>	<b>664,774</b>	<b>763,982</b>	<b>769,330</b>	<b>713,244</b>	54%
Australian Government Financial Assistance	284,234	304,806	341,378	337,844	351,441	372,763	391,225	405,975	420,249	425,489	451,086	442,964	461,371	62%
State and Local Government Financial Assistance	19,512	17,881	12,946	17,578	31,110	11,588	12,165	24,216	21,690	29,245	24,626	23,730	28,602	47%
Upfront Student Contributions	6,433	8,563	9,176	9,263	9,349	10,129	13,454	6,388	8,852	8,076	6,627	7,615	8,474	32%
Fees and Charges	49,304	53,013	54,578	60,132	64,577	62,923	71,836	85,013	93,904	124,313	143,617	165,526	150,783	206%
Investment Income	3,192	24,013	12,789	6,310	28,322	30,354	16,796	22,809	14,934	28,223	11,310	76,436	5,371	68%
Royalties, Trademarks and Licenses	19,700	21,961	33,887	24,848	30,972	24,202	22,887	22,390	22,333	23,528	23,236	27,251	23,307	18%
Consultancy and Contracts	80,389	13,757	11,018	14,489	14,750	25,273	15,852	21,912	20,812	25,900	103,480	25,808	35,336	-56%
Other Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenses from Continuing Operations</b>	<b>389,494</b>	<b>391,026</b>	<b>421,316</b>	<b>450,957</b>	<b>496,856</b>	<b>499,897</b>	<b>544,512</b>	<b>582,354</b>	<b>595,281</b>	<b>610,684</b>	<b>644,914</b>	<b>696,959</b>	<b>695,225</b>	78%
<b>Employee Benefits and On-Costs</b>	<b>206,407</b>	<b>218,530</b>	<b>242,735</b>	<b>261,412</b>	<b>298,993</b>	<b>299,630</b>	<b>321,269</b>	<b>332,145</b>	<b>356,077</b>	<b>367,031</b>	<b>375,532</b>	<b>405,813</b>	<b>420,177</b>	104%
Academic Employee Benefits	113,740	118,719	135,208	144,882	163,865	164,417	167,439	174,028	188,815	192,896	191,670	206,034	220,248	94%
Non-academic employee benefits	92,667	99,811	107,527	116,530	135,128	135,213	153,830	158,117	167,262	174,135	183,862	199,779	199,929	116%
Depreciation and Amortisation	16,732	17,703	19,703	20,084	22,149	25,407	28,465	30,966	32,859	35,732	34,678	39,941	45,807	174%
Repairs and Maintenance	16,509	18,006	14,417	16,362	16,380	17,143	13,779	14,702	13,745	14,498	17,452	16,372	11,452	-31%
Finance Costs	(27)	(39)	124	73	917	220	680	850	1,687	4,824	4,972	6,221	5,791	-28593%
Impairment of Assets	24,894	-	-	-	-	-	446	11,569	12,554	-	6,593	149	7,693	-100%
Investment Losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Superannuation Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other Expenses</b>	<b>124,979</b>	<b>136,826</b>	<b>144,337</b>	<b>152,126</b>	<b>158,417</b>	<b>157,497</b>	<b>179,873</b>	<b>192,122</b>	<b>178,359</b>	<b>188,599</b>	<b>205,687</b>	<b>228,463</b>	<b>204,305</b>	63%
Scholarships, Grants and Prizes	18,924	20,391	20,372	20,402	19,641	19,352	21,704	24,555	25,133	25,039	28,015	29,262	31,245	65%
Non-Capitalised Equipment	8,786	12,691	8,394	9,918	9,246	9,299	11,632	12,400	8,560	8,248	9,241	6,893	12,809	46%
Advertising, Marketing and Promotional Expenses	4,333	4,359	7,428	7,235	6,959	7,336	9,360	9,924	6,627	8,550	8,846	9,440	8,221	90%
Net Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	151	(86)	9,796	-	-	-	126	317	-
Other Expenditure	92,936	99,385	108,143	114,571	122,571	121,359	137,263	135,447	138,039	146,762	159,459	182,868	151,713	63%
<b>Operating Result Before Income Tax</b>	<b>73,270</b>	<b>52,968</b>	<b>54,456</b>	<b>20,407</b>	<b>33,665</b>	<b>37,315</b>	<b>(297)</b>	<b>6349</b>	<b>7493</b>	<b>54090</b>	<b>119,068</b>	<b>72,371</b>	<b>18019</b>	-75%
<b>Income Tax Expense</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net Operating Result for the Year</b>	<b>73,270</b>	<b>52,968</b>	<b>54,456</b>	<b>20,407</b>	<b>33,665</b>	<b>37,315</b>	<b>(297)</b>	<b>6349</b>	<b>7493</b>	<b>54090</b>	<b>119,068</b>	<b>72,371</b>	<b>18019</b>	-75%