



Review of Local Government Rating System
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop NSW 1240

14 October 2016

To Whom It May Concern,

Macquarie University Submission to the Review of Local Government Rating Systems

Macquarie University welcomes the opportunity to comment on the Issues Paper for IPART's Review of the Local Government Rating System (Issues Paper).

Macquarie University is renowned for its high standards in teaching, research and learning. Among the top 2% of universities in the world and ranked in the top 10 in Australia, Macquarie University's reputation to excel in all areas of education and research is paramount to who they are as a university. With a 5-star rating in all QS categories including Teaching, employability, research, internationalisation, facilities, innovation, access and specialist subjects, Macquarie University has earned its place in the 50 most international universities in the world.

All NSW Universities have an interest in ensuring the success of NSW Councils and Macquarie University welcomes the objective of achieving an efficient and equitable rating system. However, we do have significant concerns regarding the potential unintended consequences of removing the current exemption status of Universities. We are not aware of any consultation that has occurred with Universities to-date on this matter and are concerned that not enough consideration has been given to the potential wide-ranging outcomes resulting from such a change. We enthusiastically welcome further consultation with IPART to ensure the right outcome is achieved.

Macquarie University Act 1989 – Objectives and Functions of the University

Macquarie University, and Australian universities generally, provide a large net social benefit.

The overall objectives of Macquarie University, as stated in the Macquarie University Act 1989, is *the promotion, within the limits of the University's resources, of scholarship, research, free inquiry, the interaction of research and teaching, and academic excellence.*

The University's principal functions for the promotion of its objectives include:

- (a) the provision of facilities for education and research of university standard,*
- (b) the encouragement of the dissemination, advancement, development and application of knowledge informed by free inquiry,*
- (c) the provision of courses of study or instruction across a range of fields, and the carrying out of research, to meet the needs of the community,*
- (d) the participation in public discourse,*
- (e) the conferring of degrees, including those of Bachelor, Master and Doctor, and the awarding of diplomas, certificates and other awards,*
- (f) the provision of teaching and learning that engage with advanced knowledge and inquiry,*

(f) the provision of teaching and learning that engage with advanced knowledge and inquiry,
(g) the development of governance, procedural rules, admission policies, financial arrangements and quality assurance processes that are underpinned by the values and goals referred to in the functions set out in this subsection, and that are sufficient to ensure the integrity of the University's academic programs.

Under the Macquarie University Act, the University may generate revenue **for the purposes of funding the promotion of its objectives and the carrying out of its principal functions** (section 6(3)(a1)). Any revenue Macquarie University does generate is wholly directed into enabling the University to carry out its core objectives.

Discussion of Issues Paper and Universities Recommendations

1. **Current Exemption for Universities:** Section 556(1)(l) of the *Local Government Act 1993 (the Act)* exempts from rates (other than water supply special rates and sewerage rates), *'land that is vested in a university, or a university college, and is used or occupied by the university or college solely for its purposes'*.
2. **Commercial Uses:** IPART's proposed changes will result in land owned by the university which is used for 'commercial' or residential purposes no longer being exempt. The Issues Paper states that 'commercial activities and residential uses typically generate private benefits, and not significant public benefits, so land use for these purposes should not be eligible for rent exemptions'. The rationale for the change is that the rates exemption should not be given for 'land used to deliver private benefits'. However, universities deliver a **public benefit** and so the rationale for requiring Universities to pay the rates should not apply. This raises the question of who will be the subject of the levy – will it be the university or the end user of the land? If the University is levied (and not the end user), and the University is unable to recover from its commercial tenants, then it is the University who is being taxed, and not the 'commercial' user.

In box 6.1, on page 76 of the Issues Paper, IPART acknowledges that schools and hospitals generate public benefits, and requiring them to pay rates may result in them reducing their services below a socially optimum level. This same reasoning is also applicable for universities. Any revenue that Universities receive is directed into enabling the university to carry out its core objectives. Removing the exemption from University land will have the effect of reducing the funds available for the ongoing operation of the University.

- **The University objects to the removal of the exemption of university land from the Act.**
 - **If the exemption must be removed, the University recommends the inclusion of provisions within the Act that exempt Universities from the payment of rates if they are not able to recover them from the commercial or residential end user.**
 - **If the exemptions must be removed, and councils are permitted to set differential rates for parts of the University used for commercial purposes, the rates should be reflective of the services that universities provide for those purposes and more broadly.**
3. **Student Accommodation:** The proposed change to the rates exemption status for land used for student accommodation has the potential to impact the ability of all universities to provide their own student accommodation at an appropriate level. The provision of student

accommodation, particularly to the international education market, is price sensitive and a change to the Act that increases these costs must be considered very carefully.

International education is Australia's largest services export, and third largest export overall, contributing \$19 billion to the national economy in 2015. In 2014 international education supported nearly 130,000 jobs in Australia. The demand for international education is growing and the opportunities for Australia are enormous. International education is recognised by the federal government as one of the five super growth sectors contributing to Australia's transition from a resource-based to a modern services economy. One of the key pillars of the National Strategy for International Education is the ability to compete globally in the sector.

As noted in the Issues Paper, 'Rate exemptions can have a positive or a negative impact on economic efficiency. For example, exemptions that result in larger spending on goods and services that produce large net social benefits may increase economic efficiency. This could include the exemptions provided to some education institutions and hospitals'.

In keeping with this philosophy, prior to any changes being made that may impact campus student accommodation, appropriate discussion and analysis should be undertaken to consider the potential impacts on the ability of all universities to provide suitable accommodation (particularly for international students and students from remote/rural areas) and the flow on effects this may have on the local and wider economies.

If councils are to be permitted to set differential rates for the parts of the University used for commercial and those for residential purposes, then the rates should reflect the services that universities provide for each, that would otherwise be the responsibility of local government.

The University recommends:

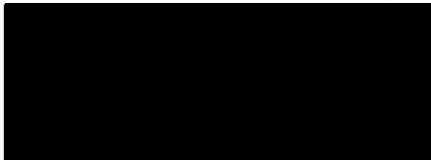
- a. **That Student Accommodation on University campuses should be exempt from the payment of rates;**
 - b. **Alternatively, Universities should be consulted and analysis undertaken to determine potential impacts on the wider international student market;**
 - c. **If the exemptions must be removed, and councils are permitted to set differential rates for parts of the University used for residential purposes, the rates should be reflective of the services that universities provide for those purposes and more broadly.**
 - d. **Further, exemptions should be extended to student accommodation provided by universities off campus if the university employs an on-site residential manager.**
4. **Private Hospital:** Macquarie University Hospital is Australia's first private not-for-profit teaching hospital on a university campus.

Paragraph 12 on page 12 of the Issues Paper proposes exempting from rates land that is owned by a private hospital and used for that purpose. **The University recommends that this exemption should be extended to land that is leased by the University for uses as a private hospital or facilities (eg clinics) associated with that hospital.**

In summary of the above points, Macquarie University strongly supports the continuance (and indeed expansion to make it absolutely clear that all university land is exempt regardless of the purposes for which it is used) of the current exemptions for Universities in any reform framework for local government rating in NSW. The University welcomes the opportunity to discuss this review further, to ensure any unintended consequences are well thought through before changes to the rating systems are implemented.

Please do not hesitate to contact the undersigned to discuss any element of this submission.

Yours sincerely



Cameron Kline
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Macquarie University

