



UNIVERSITY  
OF WOLLONGONG  
AUSTRALIA

13 October 2016

The Secretariat  
Independent Pricing and Regulatory Tribunal of NSW  
PO Box K35  
HAYMARKET POST SHOP NSW 1240

Dear Sir/Madam

**Submission in Response: Draft Report–Review of the Local Government Rating System**

Thank you for the opportunity to respond to the Draft Review Report as released in August. This submission follows on from an initial submission tendered by the University of Wollongong (UOW) at the commencement of the review and our subsequent participation in the public hearing session held in Sydney on 19 September 2016.

The University has reviewed the draft report and notes a number of potential changes, that if ultimately recommended to and adopted by the NSW Government, would represent a significant departure from the current policy and regulatory setting under the provisions of Section 556 of the *Local Government Act, 1993* (*What land is exempt from all rates, other than water supply special rates and sewerage special rates?*).

Under this provision, such exemption is provided to:

- (1) *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.*

As per our original submission, tendered in May, UOW believes that the University comprehensively meets the test of providing a large net social benefit and subsequent increase in economic efficiency. Through our economic and social contributions, as detailed in the UOW Report ‘Leading Locally, Competing Globally’, UOW’s total direct, indirect and induced economic contribution to Gross Domestic Product in 2011 was \$1.12 billion. The various activities related to UOW’s operations help generate over \$2 billion in gross output annually. UOW’s economic footprint also supports nearly 8,000 equivalent full time jobs and \$607 million in household income.

**Universities as a provider of public benefit**

UOW is one of the 10 public universities in NSW incorporated as non-profit public institutions under individual Acts of the NSW Parliament. As such we are accountable to the NSW Parliament, the NSW Minister for Education, and come under the purview of the Auditor-General of NSW and the NSW Ombudsman.

Traditionally, public education and public health institutions and facilities have been exempted from the payment of Local Government Rates and a number of other regulations on the basis of ‘public benefit’ considerations. This principle has applied for many decades.

Professor Paul Wellings CBE  
Vice-Chancellor

Indeed, IPART recognises this principle in Box 6.1 in the draft report, entitled- ‘On what ground should rate exemptions be granted.’ (p76).

The draft report states:

‘Where an activity provides substantial benefits to the community, it may be equitable and efficient to exempt it from paying rates – For example: schools and hospitals generate public benefits.’

Provision of public education occurs through three spheres that are widely known as primary schooling, secondary (or high) schools, and tertiary (or higher) education (mostly through TAFE’s and Universities). Therefore, TAFE Institutes and Universities could legitimately be cited as examples in this section along with schools.

Modern public universities, such as the University of Wollongong, are multi-faceted institutions where higher education and research is increasingly becoming more collaborative with external parties (both public and private entities). Indeed, both the Commonwealth and NSW Governments are either encouraging or requiring universities to grow education, research and commercialisation partnerships.

Allied to this, and quite legitimately, universities are being actively leveraged by government (including local government) to play a greater role in jobs growth and economic transformation.

For example, in response to this imperative, the University of Wollongong established the iAccelerate Centre and related programs on the Wollongong Innovation Campus, commencing in 2012. This initiative is focussed on supporting new business start-ups and generating knowledge-based employment in a city where over 30,000 jobs have been lost in traditional industries such as steel and coal since 1980.

The University of Wollongong contributes significant funding to run the iAccelerate Centre and its programs to support the development of new business for the Illawarra Region. Under the somewhat vague considerations regarding potential application of general rates to sites deemed as being ‘commercial’ the question arises as to whether an initiative such as the iAccelerate Centre would be deemed to be ‘commercial’ and therefore rateable in the future?

We would contend that, if yes, this outcome would be regrettable and counter to the public benefit intended and provided. I cite this as an example highlighting the complexity involved with regard to deeming as commercial some university initiatives or facilities which might outwardly appear to be commercial in nature.

The University of Wollongong, like all public universities, provides an important public benefit on a wide range of fronts. Included in this provision of public benefit is a number of ‘municipal’ like facilities and services available to the local community whereby the University has paid the capital cost of the facility and community access is provided either free or subsidised to varying degrees by the University. These include:

- Library
- University Recreation and Aquatic Centre
- Sports grounds
- Exhibition spaces
- Local shuttle buses

The community-usage value of these resources amounts to over \$2 million per year and substantially reduces demand that otherwise would add to similar facilities provided by Council or the NSW Government. If local government rates were ultimately to partially apply to universities, what would be the services provided by councils in return from these contributions?

### **Ancillary services and facilities**

Our university, like most modern university main campuses has a large daily student and staff population. In the case of our Wollongong Campus, up to 15,000 people can be on-site on any given day during academic sessions. This, in effect, is equivalent in size to a town the scale of Ulladulla or Singleton.

A campus community of this size requires on-site services (what we call ancillary services) which include food courts, medical and professional services, small-scale retail and restaurants. Our Wollongong Campus is not in a 'downtown' location (like UTS for example) or immediately adjoining a major centre which may provide general access to a wide range of facilities and services that staff and students could utilise.

Based on this campus population need, including to support our growing resident student body (now exceeding 1,500 beds on-campus), a small supermarket has recently been incorporated within our 'UniCentre' facility. This supermarket is not focussed on drawing in residents from surrounding areas but servicing substantial on-campus needs and is scaled appropriately (450 sqm as opposed to a full-line supermarket of up to 4,000 sqm). This new facility means staff and students do not need to travel more than 2kms to supermarkets located in shopping centres up to 30 minutes walking time away.

Any operating surplus dividend that the University may claim from these operations would be deployed to support education and research operations and support services and facilities.

The University of Wollongong does not believe that modestly scaled ancillary services (therefore supporting the education and research student and staff community) should be deemed as commercial for rating purposes.

### **Student Accommodation**

The University of Wollongong and the other NSW universities are operating in an increasingly globalised sector where student experience and support is becoming very critical to attracting and retaining students. Most NSW universities, including the University of Wollongong, now include a first year accommodation guarantee as part of the enrolment offer for domestic and international students:

This approach responds to 3 keys facts:

1. Preference of the parents of new domestic Undergraduate students for on-campus accommodation.
2. Preference of the parents of new International Undergraduate Students for on-campus accommodation.
3. Numerous studies that show better academic outcomes for those who live on campus.

While living in university accommodation, students are provided with a range of support services and programs to support their academic and personal needs. This situation is akin to boarding schools providing similar in-situ accommodation and support for their students. However, the draft report does not seem to suggest that boarding school accommodation would be similarly addressed (and therefore rateable), presumably as this would be deemed to be part of the delivery of the education public benefit.

After first year, having made new friends, many students choose to move out of University provided accommodation, while others choose to stay. However, they do not have access to the in-house support services and programs provided as part of the University student accommodation package.

UOW, like a number of other NSW universities, is an endorsed charity under the provisions of Division 176 of the *A New Tax System (Goods and Services Tax) Act, 1999*. Through section 38-250(1) of this Act, provision of accommodation by an endorsed charity is GST-free if rent is charged of at least 25% below the GST-inclusive market value of the supply. The University of Wollongong has an approved GST-free exemption from the Australian Taxation Office as our student accommodation offering meets the test to satisfy this provision.

The University of Wollongong does not support the proposal to remove the current rating exemptions for university student accommodation based on the aforementioned rationale.

## **Conclusion**

The proposed measures included in the Draft Review Report (as they would affect universities) would represent a move to partial, and not full, rating exemption (focused on deemed commercial activities and student accommodation only), however the likely financial impact would still be substantial. The University of Wollongong believes that our operations should be considered in the totality of their public benefit, and through an understanding of the integrated nature of all support and ancillary services as being part of the delivery of higher education and research. These services and facilities are provided for purposes consistent with the objects and functions of the University under the *University of Wollongong Act, 1989*.

IPART is currently recommending that private hospitals should be moved into the domain of being exempt from the application of rates based on the public benefit principle (notwithstanding many non-government hospitals being 'for-profit' private entities). This position seems to be incongruous with regard to the current IPART proposals with regard to public universities.

In conclusion, drawing upon the points as outlined, UOW contends that as a not-for-profit public entity providing the public benefit of higher education and research (as per our legislated purpose), our University (and public universities in general) should remain exempt from the application of general rates.

Thank you once again for providing the opportunity for the University of Wollongong to briefly address the Tribunal hearing held in Sydney on 19 September on this important matter. If you wish to further clarify or discuss the matters raised in this submission, please contact our Chief Finance Officer, Mr Damien Israel, on [REDACTED]

Yours sincerely

A large black rectangular redaction box covering the signature area of the letter.

Professor Paul Wellings CBE  
Vice-Chancellor