

## Attachment 1: UTAS' \$350 million Green Bond

### Issues

- The University of Tasmania (UTAS) has extensive debt/debt facilities, including: a \$350 million Green Bond; a \$50 million overdraft facility; and a borrowing-like arrangement with Spark Living, with a balance of \$161.5 million on 30 December 2024.
- UTAS' Green Bond borrowing does not conform with the terms and conditions of its borrowing approvals, issued by the Tasmanian Treasurer under s7(2) of the *University of Tasmania Act 1992* (the UTAS Act).
- Taken together with UTAS' tendency to 'overreach' on its infrastructure plans, and severely underestimate the cost of building projects, this creates a legal vulnerability and heightens the risk of creditors seeking (early) pay-out of debt.
- UTAS' \$350 million Green Bond borrowing has been supported by a series of credit rating opinions from Moody's, which have indicated that UTAS has an implicit Commonwealth guarantee (see [The guarantee issue](#) section below).
- The Tasmanian Treasurer and Treasury are also on the Tasmanian Parliamentary record as saying that UTAS' debt is guaranteed by the Commonwealth – that the Commonwealth would 'bail out' UTAS if required.
- In the event of UTAS experiencing further financial difficulties, creditors and/or UTAS would almost certainly turn to the Commonwealth in the first instance, setting a difficult and confusing precedent if this was accepted by the Commonwealth. Moody's cites "risks posed to the Commonwealth's financial reputation".
- In turn, the Commonwealth would almost certainly direct creditors and/or UTAS to the Tasmanian Government.
  - Putting Tasmania to one side, at least some states have guaranteed the debt of their public universities.
  - The Central Queensland University was recently 'bailed out' by the Queensland Government.
- To prevent a potential fiasco which would jeopardise UTAS and the Tasmanian Government's finances and reputations, the Tasmanian Government should: (1) remedy current issues with the Green Bond; (2) accept greater responsibility, and exercise more care, when issuing borrowing approvals to UTAS in future; and (3) scrutinise UTAS' finances and infrastructure plans, regarding which the State Government has taken a risky 'hands-off' approach.

## Background

### UTAS' borrowing approvals and the Green Bond

- UTAS is a public university established under Tasmanian law through the UTAS Act. Under s7(2) of the UTAS Act, UTAS is required to obtain the “written approval” of the Tasmanian Treasurer “to borrow money”.
- UTAS' three most recent borrowing approvals are on the public record:
  - On 25 June 2019, UTAS obtained a borrowing approval from the Treasurer to increase its overnight borrowing facility from Tascorp (the State-owned Tasmanian Public Finance Corporation) to \$75 million (copy at [Attachment A](#)).
  - On 19 November 2019, UTAS received approval for a medium term borrowing facility with Tascorp of \$200 million (copy at [Attachment B](#)). This superseded the 25 June 2019 borrowing approval.
  - On 3 March 2021, the Treasurer approved UTAS' request “for a \$200 million increase in the University's borrowing facility limit”, subject to specified terms and conditions (copy at [Attachment C](#); see [The mismatch](#) section below on terms and conditions).
- UTAS was asked to support this additional borrowing with a credit rating, but it was clearly envisaged that the additional borrowing would come from Tascorp. Following a breakdown in negotiations between UTAS and Tascorp, apparently largely over the issue of securitisation, in March 2022 UTAS:
  - Issued \$350 million of 'Green Bond' debt through NAB and the Commonwealth Bank; and
  - Established a \$50 million overdraft facility with the ANZ.
- UTAS' Green Bond issue was supported by a credit rating from Moody's that included several references to an implicit Commonwealth guarantee (see [The guarantee issue](#) section below).
- In conjunction with its Green Bond issuance, UTAS paid out its borrowings from Tascorp. A State Government guarantee issued during Covid to Tascorp in relation to UTAS' 2019 borrowing of \$200 million lapsed.

### The mismatch between the terms and conditions of UTAS' borrowing approvals and the Green Bond

- UTAS relied on its borrowing approvals of 19 November 2019 and 3 March 2021 for its \$350 million Green Bond borrowing.
- However, having regard to the terms and conditions of these two borrowing approvals, it is clear that UTAS acted in breach of the UTAS Act, with the only interpretations possible being that UTAS either (1) borrowed without having a valid approval from the Treasurer, or (2) borrowed in breach of the terms and conditions of the Treasurer's borrowing approvals upon which it relied.
- UTAS' \$350 million Green Bond debt was structured in two long term tranches:
  - \$280 million with a maturity date of 24 March 2032 (10 years) – annual interest rate payable by UTAS 3.97%.
  - \$70 million with maturity date of 24 March 2042 (20 years) – annual interest rate payable by UTAS 4.45%.

- As noted above, the borrowing approval of 19 November 2019 provides only for a medium term debt facility of \$200 million exclusively with Tascorp.
- The borrowing approval of 3 March 2022 for \$200 million, while not nominating a lender, is clearly additive to the borrowing approval of 19 November 2019 **and did not act to extinguish or supersede the terms and conditions of that approval**. While poorly drafted, the 3 March 2022 approval can only be held to make sense if seen to operate in conjunction with the 19 November 2019 approval.
- Moreover, the third condition of the 3 March 2021 borrowing approval required:
  - “the \$200 million borrowing facility limit will reduce over time consistent with the maturity profile detailed in the University’s request.”
- The maturity profile referred to here is at Attachment D. Even setting aside all the other issues associated with the wording of the borrowing approvals (and allowing the two borrowing approvals for \$200 million each to be added together), UTAS is still clearly in breach of this condition on two counts:
  - The maturity profile provides for the borrowing of \$325 million as term debt. UTAS has borrowed \$350 million through the Green Bond.
  - The maturity profile indicates that \$125 million would mature in 2032, \$50 million in the period 2035-2045 and \$150 million in 2046 – totally different from the maturity profile for the Green Bond as actually issued, as can be seen above.
- In its evidence to Tasmanian Legislative Council Select Committee Inquiry into the Provisions of the *University of Tasmania Act 1992* (LegCo Committee), UTAS only referred to the borrowing approval of 3 March 2021 in making its case that it had complied with the terms and conditions of its borrowing approvals (it was not asked to provide the maturity profile).
- Documents obtained from UTAS under Right to Information (RTI), also suggest that UTAS only referred to the borrowing approval of 3 March 2021 when dealing with Commonwealth Bank and NAB, ahead of issuance of its Green Bond debt in March 2022. This appears disingenuous, although the Commonwealth Bank and NAB also appear not to have been thorough in their due diligence.
- When UTAS determined to refinance its borrowings with Tascorp, and to go to the market with the Green Bond, it should have sought a borrowing approval from the State Treasurer tailor-made to the new borrowing. However, documents obtained under RTI indicate that there was no communication between UTAS and the Tasmanian Treasury in the period between the collapse in negotiations between UTAS and Tascorp and the issue of the Green Bond. This is staggering.
- The fact that a tailor-made borrowing approval was not issued in respect of the Green Bond has created a major legal exposure. The fact that neither UTAS nor the State Treasurer/Treasury have subsequently sought to remedy this situation is derelict – advice from lawyer colleagues indicates that the only practical remedy now available would be for UTAS to refinance its Green Bond debt, with Tascorp the best and perhaps only real option.

## UTAS' other borrowing

- UTAS' \$350 million Green Bond debt and its \$50 million overdraft facility with the ANZ is not its only major debt/debt facility.
- Through a right to operate arrangement on various UTAS accommodation properties with Spark Living, UTAS 'borrowed' a total of \$203.4 million in two tranches in 2017 and 2021. UTAS' annual report for 2024 shows that the balance owing at 30 December 2023 million was \$161.5million ([https://www.utas.edu.au/\\_data/assets/pdf\\_file/0004/1830514/2024-Annual-Report-FINAL.pdf](https://www.utas.edu.au/_data/assets/pdf_file/0004/1830514/2024-Annual-Report-FINAL.pdf) p109, "Grant of right to operate at amortised cost").
- UTAS did not seek a borrowing approval under s7(2) of the UTAS Act for the Spark Living arrangement and UTAS and the State Treasurer/Treasury have consistently argued that a borrowing approval was not required.
- This failure by the Tasmanian Government to require UTAS' borrowing-like arrangements to be approved under s7(2) of the UTAS Act has been severely criticised by public policy analyst John Lawrence (see, for example, <https://tasfintalk.blogspot.com/2023/05/utas-borrowings.html>).
- Having considered evidence on UTAS' Spark Living arrangement, in its report on the governance of UTAS, which was released on 23 December 2024, the LegCo Committee recommended that the State Government:

"Review Section 7(2) of the Act to retain Treasurer's approval for University borrowings and ensure it reflects contemporary borrowing and borrowing-like arrangements."

([https://www.parliament.tas.gov.au/\\_data/assets/pdf\\_file/0026/88721/LCSC-UTAS-Act-Final-Report-23-December-2024.pdf](https://www.parliament.tas.gov.au/_data/assets/pdf_file/0026/88721/LCSC-UTAS-Act-Final-Report-23-December-2024.pdf), p19, Recommendation 16)

## UTAS' infrastructure plans

- UTAS has regularly claimed that it delivers infrastructure plans on time and on cost. This is conspicuously false; see: <https://theutaspapers.com/senior-utas-officer-misled-public-accounts-committee/>.
- Since 2016, UTAS has embarked on a number of infrastructure development plans that have been severely under costed. These include:
  - A plan for UTAS to relocate from its Sandy Bay campus to the Hobart CBD that was halted in 2022 by questioning by the Hobart City Council and community opposition. UTAS' own gross cost estimate for this project was \$4.526 billion, when adjusted for inflation/construction cost increases to December 2023, but without realistic adjustment for project cost contingencies; see: <https://theutaspapers.com/a-utas-move-to-the-hobart-cbd-would-cost-at-least-1-19-billion-more-than-refurbishment-of-the-sandy-bay-campus/>
  - The blowout in the cost of UTAS' refurbishment of the Forestry Building in the Hobart CBD from \$86 million to over \$226 million, including non-construction costs; see: <https://theutaspapers.com/the-true-cost-of-vc-blacks-forestry-building-foolly/>.
  - UTAS' Business Case submitted to the Commonwealth on 26 March 2025 seeking \$401.5 million for a project currently estimated at \$501.5 million, but which is based on highly

preliminary concept designs. As stated by Slattery, which was responsible for the \$501.5 million cost estimate:

“This cost plan is based on preliminary information and therefore should be regarded as indicative only of the possible order of cost. All components of the cost plan will require confirmation once further documentation is available. Refer to the accompanying letter for details of basis of cost plan and exclusions from above costs.”

[https://www.utas.edu.au/\\_data/assets/pdf\\_file/0009/1900557/University-of-Tasmania-STEM-Business-Case.pdf](https://www.utas.edu.au/_data/assets/pdf_file/0009/1900557/University-of-Tasmania-STEM-Business-Case.pdf) Appendix B. (Note that the “accompanying letter” is not in the public domain).

- Based on documents received under RTI and FOI, it is clear that no agency or body has ever undertaken meaningful analysis of UTAS’ infrastructure plans and their potential impact on UTAS’ finances.
  - The Tasmanian Treasury has undertaken some limited analysis of UTAS’ finances when considering borrowing approvals but has taken UTAS’ infrastructure plans and cost calculations at face value.
  - Reacting to criticism, Moody’s appears to now be taking account of UTAS’ infrastructure plans in its rating opinions, but in its disclaimers Moody’s states that it is totally reliant on information from UTAS (i.e. Moody’s does not independently verify information provided).

#### The guarantee issue

##### *Moody’s*

- Moody’s initial credit rating for UTAS was issued on 10 December 2021, ahead of UTAS’ Green Bond float ([https://theutaspapers.com/wp-content/uploads/2023/06/10-December-2021-Rating\\_Action-Moodys-assigns-firsttime-Aa2-10Dec2021-PR\\_459015.pdf](https://theutaspapers.com/wp-content/uploads/2023/06/10-December-2021-Rating_Action-Moodys-assigns-firsttime-Aa2-10Dec2021-PR_459015.pdf)). It included the following statements:

“The issuer rating reflects the university's BCA of a1, considering the above standalone credit qualities *and a two-notch uplift to reflect Moody's assessment of a high likelihood of extraordinary support from the Commonwealth.*” (p2; my italics)

“The rating outlook is stable, reflecting the strong institutional framework and *high levels of oversight by the state and Commonwealth governments...*” (p2; my italics)

“Moody's could downgrade the ratings *if it believes there is a reduced likelihood of extraordinary financial support from the Commonwealth* or if the creditworthiness of the Australian sovereign weakens.” (p3; my italics)

Similar and sometimes stronger statements have been included in subsequent rating opinions issued by Moody’s. For instance, in its credit rating opinion of 5 August 2024

([https://www.parliament.tas.gov.au/\\_data/assets/pdf\\_file/0025/85183/6a1e74efdb1ed941fc446aed7e03b08b046e3f.pdf](https://www.parliament.tas.gov.au/_data/assets/pdf_file/0025/85183/6a1e74efdb1ed941fc446aed7e03b08b046e3f.pdf)), Moody’s states:

##### ***“Extraordinary support considerations***

*We take into account a high likelihood of extraordinary support from the Government of Australia, which reflects our assessment of the risks posed to the Commonwealth's financial reputation if the University were to experience acute liquidity stress. We also factor in a very high default dependence level to reflect the relatively large proportion of revenue derived from Commonwealth grants.*” (p6; my italics)

- In response to my requests, the Commonwealth Treasury has refused to say whether it would honour the implicit guarantee assumed by Moody's, but it could reasonably be expected to direct any financial claims against UTAS to the Tasmanian State Government.
- Moody's claim of "high levels of oversight by the state and Commonwealth governments" is simply wrong in relation to UTAS' finances.

*The Tasmanian Treasurer and Treasury*

- Appearing before the LegCo Committee on 6 July 2023, the Tasmanian Treasurer/Treasury were asked about guarantee arrangements for UTAS (a full transcript of the hearing is in Hansard at: [https://www.parliament.tas.gov.au/\\_data/assets/pdf\\_file/0024/71493/LCS-UTAS-Inquiry-6-July-2023.pdf](https://www.parliament.tas.gov.au/_data/assets/pdf_file/0024/71493/LCS-UTAS-Inquiry-6-July-2023.pdf))

- Then Treasurer Michael Ferguson stated:

*"The state is not responsible for its [UTAS'] liabilities, should they occur.... In the hypothetical you have described, while not wanting to disagree with the vice-chancellor [who had indicated in a previous hearing that the State was liable], in the event that a university in Australia was in so much trouble as would require some kind of rescue package, governments would address that in those circumstances. But I would see a far higher role for the Australian Government, given that it is the funder of higher education in Australia, and the state - in those circumstances, in that hypothetical - would no doubt take an interest in it as well."* (Hansard, p7; my italics)

- Shortly after this, the following exchange occurred between The Hon Meg Webb MLC and Fiona Calvert, a Deputy Secretary of the Tasmanian Treasury:

**"Mrs Calvert** - As you are aware, the university is a statutory corporation under the legislation. *As the Treasurer said, there is no liability to the state from the university.* Obviously, the council is the governing body. I think this has been raised previously in the rating that Moody's did for the university. *They implied a level of support from the Commonwealth government for the university. They would provide extraordinary support from the Commonwealth in the event of the situation that you have described.*

**Ms WEBB** - They would expect the federal government to bail the state out, *in the same way they would expect the federal government to bail out UTAS if it was required?*

**Mrs CALVERT** - *That is correct."* (Hansard pp7-8; my italics)

- These were considered positions. Briefing provided by Treasury to Treasurer Ferguson ahead of his appearance before the LegCo Committee included the following text:

*"Neither the Treasurer nor Treasury had any involvement in Moody's credit rating of UTAs.*

*Rather, Moody's adopts a standard view for Australian States and large institutions that the Commonwealth will provide extraordinary support in the event that the State or institution is unable to meet its debt obligations."* (<https://theutaspapers.com/wp-content/uploads/2025/04/Treasury-release-10-November-2023.pdf>, p3)

Treasurer

25 JUN 2019



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Professor Rufus Black  
Vice-Chancellor  
University of Tasmania  
Private Bag 51  
HOBART TAS 7001

Dear Professor Black

**University of Tasmania Overnight Borrowings**

I refer to your request to approve a temporary increase of the University's overnight borrowing facility limit with the Tasmanian Public Finance Corporation (Tascorp), resulting in an increased working capital facility of \$75m until 12 December 2019.

I understand that this temporary increase is needed as a result of cashflow pressures arising from the recent purchase of the K&D site and the reprofiling of other grant funds previously expected in 2019.

On the basis that the Tascorp Board continues to be satisfied that the University is able to service this level of debt and is prepared to increase the University's overnight borrowing facility limit, I approve the revised borrowing arrangement as required under the *University of Tasmania Act 1992*.

I note my previous advice from July 2017 that in line with competition policy principles, that these, and all future additional borrowings with Tascorp will be subject to government guarantee fees. The government guarantee fee that applies for new or refinanced debt in 2019-20 is 27 basis points. Appropriate arrangements for the payment of the guarantee fees will need to be put in place. If you have any queries in relation to these payments, please contact Jodi Willcox at the Department of Treasury and Finance on (03) 6166 4255 or at [Jodi.Willcox@treasury.tas.gov.au](mailto:Jodi.Willcox@treasury.tas.gov.au).

Yours sincerely

A handwritten signature in blue ink, appearing to read "P. Gutwein".

Hon Peter Gutwein MP  
Treasurer

Record 26

Treasurer

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19 NOV 2019



Professor Rufus Black  
Vice-Chancellor  
University of Tasmania  
Private Bag 51  
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Dear Professor Black

**University of Tasmania Medium Term Borrowings**

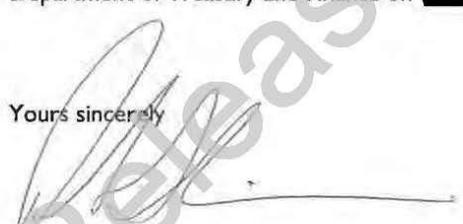
I refer to your request to increase the University's medium term borrowing facility limit with the Tasmanian Public Finance Corporation (Tascorp) to \$200 million.

I understand that this increase is needed as a result of timing differences between construction costs on the Northern Transformation Project and to provide term funding for the recent purchases of Hobart CBD student accommodation.

On the basis that the Tascorp Board continues to be satisfied that the University is able to service this level of debt and is prepared to increase the University's borrowing facility limit, I approve the medium term borrowing arrangement as required under section 7(2) of the *University of Tasmania Act 1992*.

If you have any queries in relation to these payments, please contact [REDACTED] at the Department of Treasury and Finance on [REDACTED].

Yours sincerely

  
Hon Peter Gutwein MP  
Treasurer

Record 10



PREMIER OF TASMANIA

- 3 MAR 2021

Professor Rufus Black  
Vice-Chancellor  
University of Tasmania  
Private Bag 51  
HOBART TAS 7001

Dear Professor Black

**Southern Infrastructure Project Borrowing Limit Increase**

I refer to your letter dated 6 October 2020 seeking approval for a \$200 million increase in the University's borrowing facility limit.

I understand that this increased funding facility is needed in order to progress work as part of the Southern Infrastructure Project, a key component of the University's forward Strategic Plan.

On the basis of the supporting information provided to Treasury by the University, I approve the request to increase the University's borrowing facility limit, as required under section 7(2) of the *University of Tasmania Act 1992*. This approval is subject to the following conditions:

- the University obtains and maintains a stand-alone, investment grade credit rating from an approved rating agency;
- the increase of \$200 million to the existing borrowing facility limit is approved solely for the purposes of the construction of the Southern Infrastructure Project; and
- the \$200 million borrowing facility limit will reduce over time consistent with the maturity profile detailed in the University's request.

I am of the view that the University should obtain borrowings on a stand-alone basis. Therefore, the current Government guarantee provided to the Tasmanian Public Finance Corporation to support COVID-19 related funding will not be increased to cover any additional borrowings by the University.

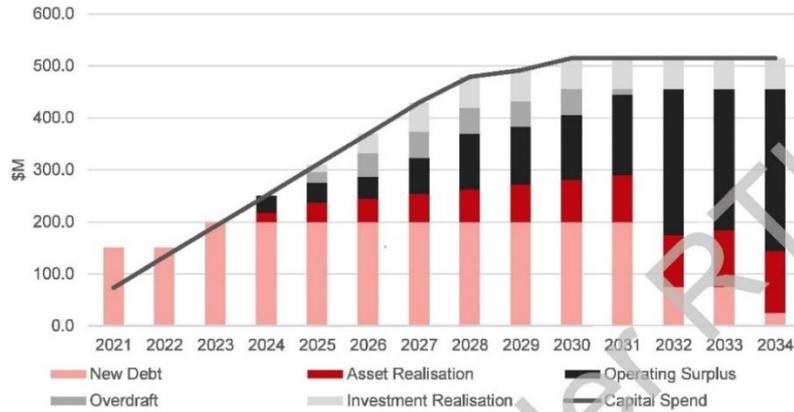
If you have any questions in relation to this matter, please contact [REDACTED] at the Department of Treasury and Finance on [REDACTED] or at [REDACTED]

Yours sincerely

Peter Gutwein MP  
**Premier**  
**Treasurer**

UTAS debt maturity profile included in UTAS' borrowing request (see Debt Profile, Serviceability and Refinancing section, particularly Chart 2: Term Debt)

Chart 1: Funding vs Building over time



Debt Profile, Serviceability and Refinancing

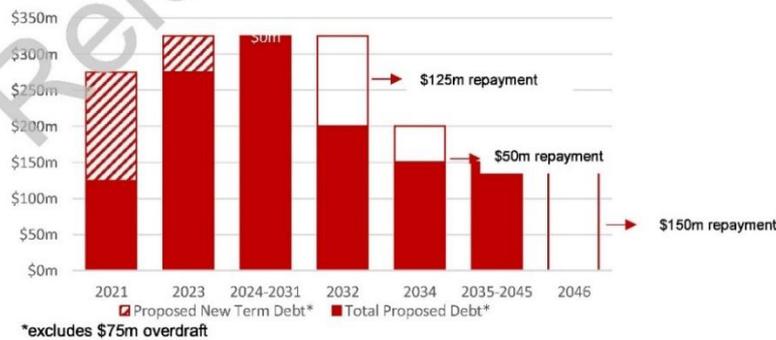
The \$200m in additional debt will be drawn in the most cost-effective way, to align with the southern campus capital program and to minimise interest costs. It is projected that the first tranche of debt will be drawn in 2021 (for expenditure in 2021-2022), with the remainder drawn in 2023. To reduce interest rate risk in relation to the 2023 debt, a forward start arrangement is proposed, if it proves cost effective to do so.

It is proposed existing debt of \$125m (maturing in 2023) be refinanced to increase the term of the loans and take advantage of the current low interest rate environment.

It is expected that this debt will be refinanced with a tenor of more than 10 years.

The staged draw down and timing of repayment of proposed debt facilities is represented in chart 2 below, with full repayment is expected by 2046.

Chart 2: Term Debt



Source: <https://theutaspapers.com/wp-content/uploads/2023/08/Information-for-release-RTI-Review-UTAS-2.pdf>, p119