



UNIVERSITY OF SYDNEY UNION

ANNUAL REPORT 2004

SUMMARY



President's Report

On behalf of the University of Sydney Union (USU) and the Board of Directors it is my pleasure to welcome you all to the 2004 Annual Report.

Since July last year the USU has undergone necessary reform. Our commitment to structural change that reflects the needs of a rapidly changing student body has resulted in an improved and more representative Union.

Over the last ten years the USU had become gradually more reliant on member fees as a proportion of total income. The USU had been spending too much on student programs without any diversified income streams. Paradoxically, despite all this expenditure students still complained that they weren't getting value for money, they weren't getting the experience they'd been promised and they simply weren't happy.

We became starkly aware of just how reliant we were on compulsory fees when the Liberal Government gained control of the Senate and promptly put "Voluntary Student Unionism" (VSU) back on the table. We now have a dual task: to fight the Federal Government's changes, and to simultaneously revolutionize the USU in only a few months. We need to make sure that IF our efforts against VSU come to nothing and the Government remains set in its dogmatic ideology, the USU is sustainable enough to survive with as little as only ten percent of its current fee, and

provide the services that make studying here more convenient and beneficial for students.

Over the last year the Board and Management have been working to reorient the USU with the current needs of its members. We need to make sure that our Food and Beverage program is used strategically. Rather than a model that provides everything to everyone, we need to provide a simple, basic diet that has been heavily and genuinely subsidized. Once that is done we then need to provide enough outside alternatives for students should they want other types of food. We need to make sure that we have enough benefits to offer students with enough incentive so that they want to join the USU if the fee should become voluntary. The Member Card has a significant role in encouraging USU membership. Regardless of how significant member discounts are, students/members need to be aware of the benefits they are receiving. Next year the Board has the option of combining the card with the University's student card and expanding the benefits program offered.

Next year our greatest chance for survival will be a broad-based, 'grassroots' structure that

General Managers Report

This is my first opportunity to report to you as General Manager of the University of Sydney Union (USU). 2004 has been a year of contrast for the USU. Many of the new member-focussed initiatives came to fruition in 2004 and started to deliver outstanding results for students at Sydney University. On the other hand, many of the Union's traditional operational areas continue to struggle against strong competition.

The operating trends of the last four years continued in 2004 and general revenue fell 1.7% compared to 2003. Member's fees increased by 3.7% from 2003, however overall revenue per USU member continues to fall.

2004 saw a concerted effort to address a number of structural and strategic issues within the organisation including the declining revenue base as outlined above.

- A Retail, Food and Beverage study was completed across all USU buildings and the Darlington/Camperdown Campus by BC & Associates. This study, co-sponsored with the University, provided a series of recommendations to develop a different brand and financial investment model for food services. The broad objective of the report's recommendations will remove the old fashioned institutional basis for providing food services to a flexible multi-service option food service platform, combining internal and external service models. This is a bold but correct step in the service evolution of the USU and must be encouraged.
- A new financial model was developed for the USU's Childcare Centres. Significant work was undertaken to measure this important service from an equity or fairness perspective, noting the USU's long day care Centres only has 120 places for 35,000 members.
- A new direction was approved by the USU Board for the USU Foundation, to strengthen the strategic relationship between the Foundation and the USU. The Foundation will have an ever-increasing

role enriching the USU's profile in three broad areas – Senior Counsel, Friends at Court and the development of a new Scholarship Committee.

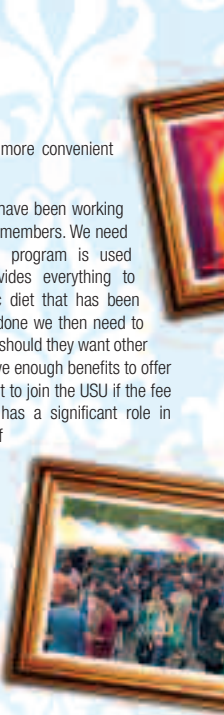
- The USU changed its logo and completed a branding process in the second half of 2004. The University of Sydney brand is the appropriate brand for the USU and the new logo signifies the future of the USU lies with the University.
- The USU will introduce a Membership card for all members in 2005 and the detailed planning for this massive program began in earnest in 2004. Again this is a bold but strategically important step for the USU.
- Negotiations with the University continue on the issue of space and building costs. The discussions are necessary if the USU is to continue to be able to provide a stable operating environment to produce quality programmes and services.

VSU

The Liberal Party won the Federal election and in the process for the first time since the 1970's, won control of the Senate. The government appear intent on introducing legislation to ban compulsory student fees for sporting, service and political groups on campuses around Australia.

Although the USU has undertaken VSU planning in the past, the threat now looks very real and a three prong program was put into place in November for the USU to protect itself from this legislation – Political lobbying / Member awareness and financial modelling. The support from a number of quarters including the University for the USU to fight this legislation is very encouraging.

The real strength of the USU lies in its ability to bring quality Cultural and Social celebrations to the entire student population. The ability of this organisation to survive a VSU environment will be directly related to the USU providing as many students as possible with the complete University



What YOUR CAMPUS LOOKED LIKE

Member Services

In 2004 the old Programmes and Publications Department merged with new Member Services department, unifying the USU approach to the servicing of its members. Now all non catering member services are able to be administered in a cohesive and planned way, ensuring a better sense of campus community. Vice-Chancellor Brown says that at least 50% of the value of a varsity education is derived from activities that occur outside the classroom.

Member Card

The most important initiative of 2004 has been the planning for the 2005 introduction of the USU Member Card. At a time when the value of university unions (i.e. tertiary student bodies/associations/groups, NOT trades unions) is being questioned, it was felt that it was more important than ever to give members a palpable hold-it-in-your-hand benefit of membership. Technology has been adapted to allow for individual members to scan their own cards at each point of sale – the benefit is literally in their own hands.

The programme will also have an ancillary benefits programme incorporating deals, specials and services that are not campus focused.

Entertainment

Building on an already successful programme 2004 saw some great events in Manning Bar, including over 3000 people cramming in for Missy Higgins and a similar number for the last Triple J breakfast show featuring Adam Spencer and Wil Anderson.

Theatresports continued to pull large crowds week after week and both band and DJ comps were again successful – with the finals ‘selling’ out. Tim Freedman made a solo appearance in the Courtyard, pleasing both old and new fans. Events such as the Middle Eastern queer evening, Club Arak and popular DeManning series of drag shows, delighted student and external audiences alike.

An emphasis was placed on “Free For Members” entertainment, emphasising the benefits of USU Membership. The inaugural BeachBall was successful and its annual Wintery cousin, SnowBall packed them in with a queue of over 1000 members waiting to enter.

Cultural Programmes

The very staid and traditional “Cultural Grants” has been renamed “Cash For Art”. 2004 saw a good mix of applications including film, theatre, original music, photography and fine art. The fund provided a good feeder service for...

Verge – the USU Arts festival. Now in its second year Verge 04 built on the terrific success of the inaugural festival. This year saw an exciting initiative: formal involvement with the Sydney College of the Arts. This cross pollination can only be beneficial and will be built upon in successive festivals.

Clubs and Societies

Once again, C&S formed the backbone of so much that is culturally happening at this University. Through the C&S programme USU is able to fund directly, at a grass roots level, relevant and needed services, programmes and events.

Another 20 clubs were added to the C&S Register, taking the total number of registered clubs to over 200. These clubs afford members the opportunity to socialise with like (and differently!) minded students, form opinions and make friendships that will last their entire lives. This year the SU Pharmacy Association was awarded the coveted USU Leadership Award for an outstanding contribution to the programme and the University Community.

The USU Art Collection

The year 2004 marked an all time high for the USU Art Collection, Sir Hermann Black Gallery and Sculpture Terrace where long term liaisons were maintained, but also new initiatives were established. It was a year that saw increases in gallery attendances as well as unprecedented profile building of the USU's presence in the art field.

Some of the exhibition highlights of 2004 were UR in EU, an exhibition that celebrated the enlargement of the European Union by displaying works by artists from each of the ten new European nations; Freedman Foundation Awards, that celebrated the works of five emerging artists; IRWIN - Works on Paper, an international exhibition from Slovenia that was co-hosted by Artspace in Woolloomooloo and the ever popular Blake Prize for Religious Art.

The Verge Festival was launched in the gallery this year with an exhibition by Photomedia students from Sydney College of the Arts and was attended by over 200 guests. As part of the same festival the Art,

Photo and Literature Competition completed the festivities, making it the most successful arts festival to date.

Other exhibitions that promoted the Art Collection Committee's activities were Sculpture 2004, and 4.6% - 25 contemporary works from the USU's Art Collection, as well as an exhibition of optical art that coincided with the Biennale of Sydney.

The USU is proud of its unique art collection which happens also to one of its largest appreciating assets. Investing in art has been a Union activity for over a century. Each year the Art Collection Committee takes on the custodial responsibility of the collection and the Acquisitions Committee aims to increase the collection as a legacy for the future generation's members of the USU.

This year the collection was enhanced by the acquisition of works by Shane Forrest, Katherine Del Barton, Narrabri Nakamarra and Julie Harris. 2004 was also marked by a new collection initiative that was organised through Sydney College of the Arts and SUPRA whereby our collection received the winning work, a photograph by Masters student David Lawrey.



Artwork: Untitled Artist: Julia Harris

in 2004

Human Resources

With the introduction of VSU, strong emphasis has been placed on planning staffing strategies for coping with the required changes, with some of these changes having already been actioned in preparation. There has been a strong emphasis placed on restructuring departments and changes to service delivery models to better provide for the needs of our customer base. In order to ensure effective and efficient service, Human Resources continues to be committed to provide responsive advice and assistance to other USU departments in achieving their business plans.

In all, 2004 was a strong year for employment of students into casual roles, with a final figure of approximately 35% of shifts being taken up by students.

The USU commenced the implementation of the Occupational Health and Safety Management Plan designed for the USU to meet our employer responsibilities and this will continue to be rolled out in terms of information and training for our staff and student office bearers.

Like all employers in Sydney, attracting and retaining quality staff has been a challenge in a shrinking applicant market. However, we have been extremely successful in 2004 in appointing highly qualified staff in key positions, who see challenges and career development opportunities working for the USU.

Student Support and Development - Community Services Programs

In 2004 the Student Support and Development Department again helped forge relationships between USU, University and the local community. The School Tutoring Program was able to match over 300 year 11 and 12 students from local priority high schools with a volunteer tutor. Our target for 2004 was 150 and we doubled it thanks to our wonderful volunteers.

Australian Discussion Groups introduced a comprehensive social program to the weekly meetings. The

introduction of the social program meant an increase in our retention rates all the way through 2004 with 80 people participating weekly and an additional 20 joining us on a fortnightly basis.

Operations

While still remaining focused on the quality of food services, retail businesses, catering and venue services, 2004 was the year that Operations carefully reviewed all areas of the USU retail, food, beverage and catering service platforms. A medium to long term direction was adopted rather than being reactionary to either short term or subjective needs.



To this end the USU instigated and participated in the development of the food and beverage retail master plan which was prepared ready for implementation in 2005. In addition a functions review was also completed resulting in a total restructure of the Venue Collection business including the hiring of an industry qualified Sales & Marketing Manager. The positive results from these efforts will start to filter through our results in 2005 with full adoption and benefit being enjoyed in 2006.

Most USU retail businesses enjoyed a new point of sale purchase system which will ensure that meaningful data can be used as a management tool to ensure that all of our business needs are met and in line with our member trends.

Our commercial services such as the campus stores and academic dress enjoyed the benefit of a product mix review and re-vamped retail layouts for ease of purchase for our members. Renovated and expanded coffee cart facilities in addition to new menus at our catering outlets were introduced with a focus on our health bar offerings.

Meeting the needs of an ever changing student base will as always be a challenge but one that we are better prepared than ever to meet.

Facilities

The Facilities Department in conjunction with The University of Sydney Clinical sites at Westmead, Dubbo and Orange have worked to provide common room facilities for our member at these locations. Other services included BBQ facilities, leisure equipment, catering and the outfitting of recreation areas for reading, studying and student meetings.

The expansion of the Fisher Library Coffee Cart, after considerable coordination with The Sydney University, was completed and now provides even more hot coffee, cold drinks, hot snack food and confectionery to those studying at the library and its surrounds, 7 days a week.

The Engineering precinct also benefited by the provision of bench seats and tables.

Adding to the consistent success of USU provided Orientation Weeks, Facilities have worked efficiently to thoughtfully dispose of waste and minimise the amount of which becomes landfill. 2004 statistics show the 2 tonne of waste generated at least year's O Week, was processed more efficiently through commingled recycling, with only 15% of this waste going to landfill.





better takes into account all students. It is crucial that in providing great service to the majority of students that the needs of minority groups are not forgotten. To ensure this isn't the case we've expanded the Student Convener program substantially, extending payments to more conveners than ever before. We're transferring much of the ownership for the success and indeed sometimes failure of events to the students involved in these great programs. In providing our conveners and student volunteers with a greater level of ownership over their programs, we can then better take account of the vast gamut of student interests.



The USU is an amazingly diverse organisation that offers thousands of students every year a huge range of opportunities and developmental possibilities. A great many of today's leaders, be it in politics, industry, media, art or culture all got their first opportunities through the University of Sydney Union. It is up to members and their Boards to insure that these same opportunities are available for future students of the University of Sydney.



Sam Crosby
President

experience, through club and society programs and cultural and social celebrations. The USU continues to be able to tap into the undergraduate demographic needs in relation to the types and diversity of services that are necessary for an internationally recognised University.

The efforts of the USU Senior Managers in 2004 continued through a number of challenging periods. I would like to place on record my thanks to the senior staff of the USU: Sandra Hardy, Human Resources Manager; Ninian Gemmell, Finance and Business Systems Manager; Alistair Cowie, Member Services Manager; George Livery, Marketing and Communications Manager and Darryl Hodgson, Operations Manager.

Stronger links and communication have been forged with the University and the Vice-Chancellor, Professor Gavin Brown. Special thanks must be placed on the record for the University and the Vice Chancellor in their very public support of our organisation.

Special thanks must go to Toby Brennan and Sam Crosby and their respective Boards in addressing some very difficult policy and service issues. Our two Senate representatives Ms Merrilee Robb and Associate Professor Tony Masters continue to give of their time and wisdom on all issues brought to Board.

Outlook

2004 was a watershed year for the USU. Difficult operating decisions were made in a number of areas to balance the organisation's goals to a position that will provide medium and long term advantages.

The USU will continue to build on its revised vision presented to the University in September 2003. The seven strategic guiding principles presented in 2003 are just as important today as they were in 2003.

1. Provide mentoring and scholarships for the USU's student services programs (Debates, Leadership and Volunteer programs)

2. The USU will focus on cultural programs and services (C&S, mentoring, artistic development)
3. The USU will continue to support the University with our programs (incl. 'O' Week, student diary, and assistance on Information Days)
4. The USU will implement non-geographical web based services
5. The USU will rationalise its space requirements
6. The USU will continue to rationalise its service delivery methods and range of F & B services
7. The USU will become financially sustainable, subject to the current model for student fees.

The USU is finally making headway in addressing some long standing issues. The USU will need Board and Management to continue to seek out the best solutions for all our members if we are to succeed. Planning should continue to provide USU opportunities for its members and strengthen its relationship with the University to meet the immediate challenges.



Paul McJannett
General Manager

2004 financial report

The 2004 calendar year was a challenging year for the USU. Events worthy of note include:

- VSU back on the political agenda
- Appointment of a new General Manager
- Steady accumulation of cash throughout the year
- Re-weighting of the investment portfolio
- Sinking funds maintained for all three USU buildings
- Reduced operating surplus on 2003 (\$900K)
- Completion of the Point of Sale system replacement rollout
- Commencement of work on the Member Card

Revenue from ordinary activities was 1.7% lower than 2003 with the main contributor being food and beverage services reflecting a fall off in patronage within a range of outlets particularly during second semester. The lower revenues were felt across all outlets but particularly Wentworth. Increased University enrolments have not translated to increased operating revenues and although the second semester drop-off in activity was noted in all operating areas, retail services and functions showed a little more resilience.

Revenue per USU member continues to fall again reflecting the changing demographic and the tendency of students to spend less time on campus because of work and study commitments. There remains therefore a need for the USU to re-align its service platform to ensure that it remains relevant to its member base and this has certainly been a factor in strategic discussions with the University over the last three years.

Other revenues reflect member fees, rent, gown hire, ticket sales, interest and dividends which were broadly consistent with 2003 comparatives. Member fees increased 3.2% which was consistent with the CPI and reflected only a small volume effect.

The Venue Collection (the USU's functions arm) had a solid but unexceptional year with top line revenues and bottom line performance very similar to 2003 levels. There remains a dependence on the University for business with new business proving difficult to generate. It should again be reiterated that The Venue Collection remains hamstrung by a number of infrastructural issues, notably the general appearance of internal and external facilities within the Holme building and the lack of parking on offer to external clients. Nevertheless it is recognised that The Venue Collection continues to support and subsidise a wide variety of student and member activities.

2004 saw a significant amalgamation of a range of activities such as student programmes, volunteer programmes, publications, childcare, clubs and societies, affiliate campus services, discount tickets etc under the Member Services banner. Member Services performed to budget and in line with 2003 on a like for like basis which was a creditable performance in a year that involved so much change.

The level of 'corporate cost' or overhead while still high compared to other campus based associations, was only marginally unfavourable (less than 1%) on 2003. USU members must appreciate however that the high level of overheads are primarily due to this USU's operational responsibility for three buildings and the necessary cleaning and maintenance costs inherent in such facilities. The University of Sydney USU continues to be committed to providing students with appropriate recreational space recognising that the maintenance and cleaning of this space comes at a cost, particularly when two of those buildings are over 100 years old. Maintenance and building facility costs amounted to \$2.8M in 2004 (2003: \$2.7M).

The rationale for the setting aside of sinking funds for the USU's buildings (at \$1.8M pa) continued in 2004 and is a prudent way of providing for future refurbishment and maintenance of these assets. Whilst these funds were originally intended to be used towards a significant refurbishment of the Wentworth building in conjunction with the University's USyd Central services building and its overall Campus 2010 development, VSU may necessitate a change in the way that these funds are used.

At 31 December, the USU's sinking funds stand at \$2.5M as investments with a further \$1.8M relating to the 2004 contribution still held in cash pending the first instalment of 2005 member fee money.

Operating Result

In 2004 the USU produced an operating surplus of \$1,388,681 (compared to a surplus of \$2,320,723 in 2003). This downturn reflected lower operating revenues and higher average direct costs of sales 50.7% (2003: 48.5%). Cost of sales has been unfavourably impacted by the gradual rollout of the new POS system during the year that was not fully complete until October 2004. As outlets came online, adjustments were required to reconcile costs of sales data and stock holdings held in the new system. All stock write-offs emanating from the December stock-take have also been shown as cost of sales which has added 4% to cost of sales in the year. (It should be noted that stock write-offs were not treated as cost of sales in 2003 that would have altered the 2003 comparative to 49.8% from 48.5%). Some one-off unfavourable effect was always expected in the year of POS rollout, but from 2005 onwards economies are expected to be generated.

A significant factor in the lower surplus for 2004 was the small relative increase in member fees. Member fees were up 3.7% in 2004 compared to 12.5% in 2003. CPI factors have been relatively consistent between the years with volume of enrolments being the other relevant factor.

In the absence of one-off factors, labour costs were well controlled. Total labour costs in 2004 were \$8.2M (2003: \$7.5M). While this represents an increase of \$0.7M, CPI increases account for over \$0.3M and one off terminations and exit costs account for a further \$0.3M.

If termination and exit costs were removed, labour costs would have increased 5.3% on 2003 levels, noting that significant redundancy and exit costs were also incurred in 2003). General overheads were 5.8% higher in 2004 and reflect an increasingly conservative approach to bad and doubtful debt provisioning as well as higher contractor costs on POS and in recruitment.

Sponsorships continue to show growth and that has justified the increased focus into this area by the USU's Communications (formerly Public Relations) department.

Capital Expenditure

Capital expenditure amounted to \$1,262K in 2004 (2003: \$886K).

Excepting replacement motor vehicles (\$205K), the most significant single items of capital expended in 2003 included the second year of an ongoing computer replacement programme, upgrades to common rooms at Westmead, Dubbo and RPA, establishment of the Fisher coffee cart, office relocations, and a series of unbudgeted jobs partly OH&S related (Holme disability ramp & emergency lighting) and partly due to aging infrastructure (Holme fibre communication links).

The USU has attempted to hold capital wherever possible in order to conserve cash ahead of any VSU issues and any refurbishment works on Wentworth as a consequence of the University's campus 2010 plans. However all OH&S and business continuance issues were addressed.

The MOU discussions commenced in 2003 with the University have been superseded by the VSU debate and as a consequence, much of what the USU had planned over the next 10 years may change significantly as a result of the proposed VSU legislation.

VSU has cast some doubt on the USU's ability to contribute to the refurbishment of the Wentworth building and other new service initiatives that were expected to be funded by a combination of internally generated cash, sinking funds and debt. Plans for any Holme Building/Footbridge Theatre redevelopment continue to be shelved to the extent that they will use member funds, but continue to be discussed with the University 'in principle'. The USU recognises that the condition of the Holme building is a major constraint in its ability to provide competitive facilities to clients of The Venue Collection.

Investment Policy

The USU's investment policy was amended during 2003 to allow direct investments in Listed Investment Companies (LIC's) quoted on the Australian Stock Exchange. The USU moved \$2M into LIC's during 2004 and these investments have performed well producing franked dividends of \$39K for the six months ended 31 December. Due to the solid performance of Australian equities generally in 2004, the USU's LIC investments have unrealised capital gains of over \$150K at 31 December 2004.

The performance of the USU's existing managed fund investments continued to be disappointing in 2004. Unit prices in both managed funds held recovered during 2004 but income generated was disappointing. Nevertheless, these investments are held as long term assets and remain fundamentally sound.

The investment in the Fidelity Perpetual Europe Fund was redeemed in January 2005 following a review made by Perpetual of their product range. A loss of \$13K was booked at the time.

Summary

2004 has been a year of firstly consolidation and then uncertainty. Semester one was on par with budget but semester two was disappointing particularly in the food and beverage areas.

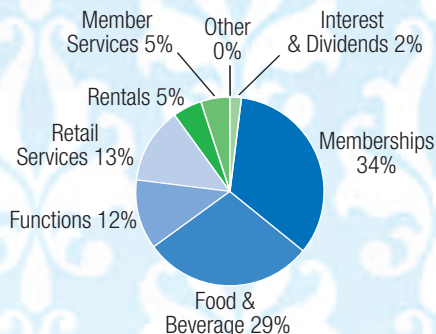
Obvious challenges remain, most notably how the USU responds to the changing demographics and relevance of traditional services, how to acquire and retain quality staff, and how to meet liabilities on very old and historic buildings. Certainly steps have been taken to discuss these challenges with the University to a greater extent than has occurred previously and those discussions will continue in 2005 and beyond. VSU has brought forward a series of issues in terms of priorities.

To ensure its ongoing relevance the USU needs to build a sound financial base in order that options are available to it in meeting these challenges. Board and management are confident that the USU will meet the VSU challenge and are focussed on ensuring that the University of Sydney is the destination of choice to new students and that the USU remains the premier campus based organisation in ensuring that University life remains more than just the attainment of an academic qualification.

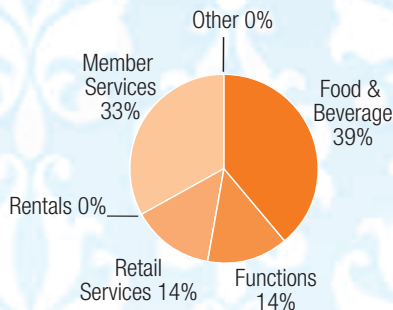


Ninian Gemmell
Finance & Business Systems Manager

Total Income 2004



Total Expenditure 2004



Income:	2004
Memberships	8,438,641
Food & Beverage	7,099,211
Functions	2,950,568
Retail Services	3,252,488
Rentals	1,129,702
Member Services	1,253,137
Other	36,616
Interest & Dividends	416,047

24,576,410

Expenditure:	
Food & Beverage	9,067,234
Functions	3,174,679
Retail Services	3,231,103
Rentals	26,008
Member Services	7,688,707
Other	0

23,187,731

Net Surplus / (Deficit) for Year

1,388,679



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