

RHODES UNIVERSITY

ADDRESS BY THE VICE-CHANCELLOR, DR D.S. HENDERSON, TO STAFF

FEBRUARY 23 1977

Reason for the meeting 1. Dr Henderson told the meeting his main reason for asking the Rhodes University Staff Association to arrange for him to address staff members was to acquaint them with aspects of the university's financial situation during 1977. This was a source of great concern. Council had authorised him to take staff members into his confidence, he said, because the active co-operation of every member of the university was essential in facing these problems effectively.

The financial situation 2. The financial situation was described in the following figures:

Total income	R6 968 000
Total expenditure	
(after R250 000 cut)	7 166 000
Deficit	198 000
Further 2,3% cut	<u>102 000</u>
Amended deficit	<u>300 000</u>
Less further savings	<u>130 000</u>
	170 000
Further more drastic measures	100 000?

Deficits

3. The Vice-Chancellor discussed the difference between book and cash flow deficits. He warned that in the present economic climate it was dangerous and foolhardy not to have a cushion of reserve.

The university was required by the Government to provide in its estimates a sum of R160.000 for buildings, furniture and laboratory equipment replacement. Since Rhodes did not have this money, it was no more than a book entry. He emphasised that the university could not be allowed to have a cash flow deficit in 1977, since its reserves were virtually non-existent. His mandate from the Council was to avoid a 1977 cash flow deficit, and this was the reason for his calling the meeting.

The univer-
sities' position

4. Not only Rhodes, but all South African universities, were in a parlous economic position, Dr Henderson said. There were three main causes, which sprang from the general economic situation.

- a. A rise in Eskom rates would increase the university's electricity costs by R50 000.
- b. A 2,3% Government subsidy cut would come to R102 000.
- c. The new pension scheme would cost R150 000 more than expected to operate.

These three together totalled about R300 000.

Proposed savings of R130 000 could be effected by steps like eliminating leave replacements, spacing out new appointments and freezing posts.

Living beyond means 5. Rhodes was living 10% beyond its safe means, said Dr Henderson. It was necessary for the university to go into 1978 with a surplus of R300 000. This meant that R600 000 less of resources must be committed a priori. The university needed:

Normal reserves	R200 000
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Shock reserves	R300 000
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A 'last ditch' reserve	R100 000
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He suggested an absolute cut in spending could reduce this deficit by half. For the rest, resources could be spread over 5% more students.

Individual help 6. There were several ways individuals could help the university save money, the Vice-Chancellor said. Use of energy was an example:

(a) Availability charge for 500 radiators	R4 000
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Electricity charge for burning

500 radiators for 1 hour @ 2c/hr	10
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(b) Availability charge for 250 radiators	2 000
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Electricity charge for burning

500 radiators for 60 hours a month	600
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Cost of using 500 radiators for 60

hours a month if no more than 250

are on at any one time	R2 600
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Individuals could save university money on transport and telephones as well.

Publicity

7. The Vice-Chancellor stressed the importance of staff conveying a good image of the university to members of the public.

Capital vs

Running expenses;
administrative
staff; communi-
cation.

8. Discussing points raised in a meeting with the Staff Association executive, Dr Henderson said capital expenditure was sometimes criticised, but in fact it often meant considerable future savings. He gave the purchase of a PABX telephone exchange system as an example.

In the matter of growth of administrative staff, there were in the Department of Estates and Buildings three new posts of Physical Planning Officer, draughtsman and clerk of works. All their tasks were devoted to capital works, and their salaries were added to the cost of capital building and not to the salaries account. Their presence was justified by the considerable savings in building costs effected by their supervision. This was public money which the university had a moral obligation to see was not wastefully used.

New staff was also employed in areas where Rhodes had taken on new activities, in the Printing Unit, the Computer Centre and the Electron Microscope Unit

It had been decided with the executive that the Staff Association would approach Dr Henderson when it felt a need to gain information from him. It was felt that this would be a more effective means of communication than a house publication, said Dr Henderson.

Summary

9. In summary, the Vice-Chancellor said the university faced a difficult period. He believed it would emerge tempered by the experience, however, provided it could count on the support of all its members.