

To Senate -  
SFU

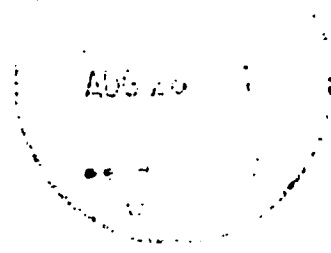
FOR INFORMATION

- S. 81-138

**WBC**

*Not distributed or  
discussed*

August 25, 1981



Dr. Douglas T. Kenny  
President  
University of British Columbia

Dr. K. George Pedersen  
President  
Simon Fraser University

Dr. Howard E. Petch  
President  
University of Victoria

Gentlemen:

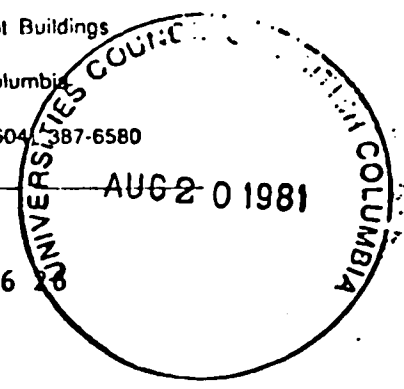
Further to the discussions held in June, I enclose  
a copy of Dr. R.W. Stewart's letter of June 26, 1981  
for your information.

Yours sincerely,

William C. Gibson, M.D., F.R.C.P.  
Chairman

Enclosure

✓ cc V.P. 12.  
E. Scott  
J. Ross  
+ Senators



1981 06 28

Dr. W. C. Gibson, Chairman  
Universities Council of B. C.  
500 - 805 West Broadway  
VANCOUVER, British Columbia  
V5Z 1K1

Dear Dr. Gibson:

In order to permit the government to have a clearer view of the medium term requirements of the university system, the universities and the Universities Council are being asked to prepare plans looking some five years into the future. It is legitimate for the universities and the Universities Council to ask of the Government what is likely to be the financial context in which they will be working in order that the planning be realistic.

I should tell you that projections from the Ministry of Finance, which are much more sophisticated than heretofore and have proved comparatively reliable during the last year, indicate a very difficult position for the Government during the next few years. While I will continue to press the universities' case and am confident that they will not be devastated by any reduction in funding, the universities will have to share the general tightening which will occur in the Government's expenditures. For the next several years I anticipate that increases in Government grants in support of universities will not exceed increases in the cost of living. I recognize that this may create difficulties for the universities who have become accustomed to more substantial lifts.\* In particular, the concentration of expenditures in salaries and the way in which the demographic distribution and the university salary structure combine to increase the expenditures on faculty remuneration will not be easy to accommodate. Nevertheless the problem will have to be faced.

Despite this tight situation, it will continue to be necessary that the universities make substantial adjustments in the programs they are providing, in order to meet the evolving needs of society. For example, the medical teaching expansion must go ahead to completion. There must be an increase in the number of engineers graduated from the universities, provided that enough suitably qualified students wish to take engineering. It will probably be necessary to continue expansion of the offerings in business administration. Undoubtedly there will be others.

\*Please note appended sheet to see the way support to universities looks to the government, and probably to informed members of the public.

Dr. W. C. Gibson

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These increases will have to be compensated -- probably overcompensated -- by decreases in lower priority areas. It may, for example, be necessary to eliminate certain programs altogether from one or two universities in order that they can be concentrated to the point of viability. It may even be necessary to take some action with respect to entrance requirements which could conceivably reduce the total number of university students in the Province.

In face of these difficulties the universities must strive to maintain and improve quality, which must not be sacrificed for the sake of maintaining or increasing numbers in areas where the demands of society are not particularly high. The Ministry does not regard the total number of university students, or the number of degrees granted per year, as a figure of merit for our universities or as a measure of their value to our Province. It is better to have a smaller number of better qualified and respected graduates than a larger number with more dubious qualifications. The system of colleges and institutes, including the Open Learning Institute, provides a variety of educational opportunities, including a liberal arts college level program, and is available to students of all ages and in all geographical areas of the Province.

There is a particular aspect to the question of quality to which I would like to draw your attention. For years universities in North America have been postponing the re-equipping of some facilities and allowing the deterioration of others, in the expectation that what they perceived as financial stringencies were temporary, and that more expansive times would come. I believe it is important to point out to the universities that there is no foreseeable prospect of more expansive times in this sense. Indeed 1981/82 should be regarded by our universities as a comparatively favourable year, offering an opportunity to renovate and upgrade equipment, which may not recur for some years.

I know that this situation will provide a difficult challenge for both the universities and the Universities Council. However I hope that it will be attacked with will and imagination.

Sincerely,



Robert W. Stewart  
Deputy Minister

## APPENDIX

### Financing of Universities

Changes over the years in the way in which university budgets are described can cause differences of opinion as to the rate of increase of government support to universities. I therefore think it is useful to present the situation as it is seen by the government.

During the last few years, we have instituted a debenture funding system for major capital acquisitions, beginning with buildings and extending now to major equipment. In the early years of such a system, the costs of debt servicing are comparatively small, but on a percentage basis they rise very rapidly. Another recent change has been a government decision to earmark certain funds for the support of university efforts in areas which are of priority to the government higher than may be felt within the universities themselves. The government regards these earmarked funds as part of university funding, even though the universities may be reluctant to do so.

Presented below are figures taken from the official government estimates from 1975/76 to 1981/82. Percentage increases are shown for the universities operating alone, and the total expenditure in the activity less debt servicing charges. The latter figure is regarded by government as the fairest one for comparison with the cost of living increases. These, calculated from Statistics Canada Consumer Price Index figures, are also tabulated. In order to get a comparison which accords with the government's view, the corresponding cost of living increase is moved two years. For example, the 1981/82 university budget was prepared during 1980. The most recent full year cost of living increases, which provided the "climate" in which the budget was being discussed, was the increase of 1979 over that of 1978. Therefore it is this cost of living increase which is compared in the table with the university budget increase 1981/82 relative to 1980/81.

Estimate Year  
 Operating Grants  
 Millions

A

Total Vote  
 minus:  
 Dept. Funding  
 1978/79 - 81/82  
 Capital Grants  
 1975/76 - 77/78  
 Fire Protection  
 1975/76 - 77/78

B

% lift A

% lift B

CPI increase  
 %

75/76	150.2	150.6	9.5	9.5	74/73	7.5
76/77	164.45	164.85	12.2	14.7	75/74	10.8
77/78	184.5	189.6	8.7	9.4	76/75	7.5
78/79	200.6	207.5	8.3	9.3	77/76	8.0
79/80	217.2	226.9	10.3	14.5	78/77	8.9
80/81	239.6	259.9	13.4	18.5	79/78	9.1
81/82	271.7	307.9	80.9	104.4	79/73	69.7
		1982/76				