

## EDUCATION, SCIENCE AND TRAINING

### SENATE LEGISLATION COMMITTEE - QUESTIONS ON NOTICE 2005-2006 BUDGET ESTIMATES HEARING

**Outcome:** 2

**Output Group:** 2.4 – Funding for Higher Education

#### **DEST Question No. E391\_06**

Senator Nettle provided in writing.

#### **Question:**

What communication has occurred between the Minister's office and the Vice Chancellor and/or University Management at the University of Newcastle that relates to that university's current financial difficulties since 1st July 2004? Can we have a copy of such correspondence? If not, why not?

#### **Answer:**

*Correspondence between Minister and University of Newcastle re. the University's financial situation.*

Between 1 July 2004 and 30 June 2005 the Minister received two letters from the Vice Chancellor of the University of Newcastle, Professor Nicholas Saunders, regarding the University's financial difficulties.

1. Letter from Vice-Chancellor Nicholas Saunders to Minister Nelson dated 8 March.
2. Letter from Vice-Chancellor Nicholas Saunders to Colin Walters (Group Manager, Higher Education Group) with a note to Minister Nelson dated 30 May.

These are attached.

The Minister replied to Professor Saunders on 20 July regarding the approval of the \$15 million advance to resolve the University's immediate cash flow difficulties. A copy of this is also attached.

18 MAR 2005

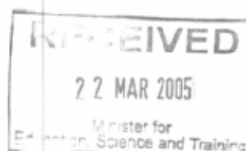
**Professor Nicholas Saunders**  
Vice-Chancellor and President

University Drive, Callaghan  
NSW 2308 Australia  
Telephone: +61 2 4921 5101  
Facsimile: +61 2 4921 5115  
Email: vc@newcastle.edu.au

OFFICE OF THE VICE-CHANCELLOR

8 March 2005

The Hon. Brendan Nelson  
Minister for Education, Science and Training  
Commonwealth Parliamentary Office  
70 Philip Street  
SYDNEY NSW 2000



Dear Minister

Thank you for meeting with me on 28 February 2005 so that I could brief you about the University of Newcastle's financial position and several other matters.

I appreciate greatly the opportunity you provided for me to explain our current situation and present my views about how your department might be able to assist, in the short term, with our recovery.

As I advised, we are moving to establish formal discussion with DEST about funding strategies for 2005 and 2006 that would provide some relief on our cash flow while we make the structural changes necessary for the University's long term welfare.

I am confident that the University will address successfully the issues underlying our poor financial performance in recent years and that we will remain one of the top universities in Australia.

I will keep you and your advisers informed about our progress.

Yours sincerely

A handwritten signature in black ink that reads "Nick Saunders" with a long, sweeping horizontal stroke extending to the right.

Nicholas Saunders  
Vice-Chancellor and President

Cc Ms Lisa Paul, Secretary DEST  
Mr Bill Burmester, Acting Deputy Secretary, DEST



The UNIVERSITY  
of NEWCASTLE  
AUSTRALIA

Dear Minister,

03 JUN 2005

For your information, I would appreciate your support in securing the \$15m advance to ease our cashflow difficulties over the next few months. Kind regards  
Nick

Professor Nicholas Saunders

Vice-Chancellor and President

University Drive, Callaghan  
NSW 2308 Australia  
Telephone: +61 2 4921 5101  
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The UNIVERSITY  
of NEWCASTLE  
AUSTRALIA

30/3/05

OFFICE OF THE VICE-CHANCELLOR

**Professor Nicholas Saunders**

Vice-Chancellor and President

University Drive, Callaghan  
NSW 2308 Australia  
Telephone: +61 2 4921 5101  
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30 May 2005

Mr Colin Walters  
Group Manager  
Higher Education Group  
Department of Education, Science and Training  
Location 133  
GPO Box 9880  
CANBERRA ACT 2601

**RECEIVED**

31 MAY 2005

Group Manager  
Higher Education Group

Dear Mr Walters

**Financial support to alleviate impending cash flow predicament at the University of Newcastle**

On Friday 20<sup>th</sup> May 2005, Ms Lois Sparkes, Mr Indhi Emmanuel, and Mr Rod Mann of your Department met by telephone with Dr Sue Gould (Deputy Vice-Chancellor (Services)), Mr Piyush (Interim Chief Financial Officer) and me.

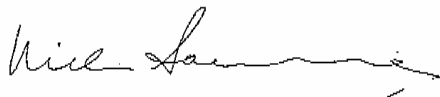
The purpose of the meeting was to bring the Department up to date with the events at the University of Newcastle and to alert the Department to the failing status of available cash reserves that support our day to day operations. We indicated, that based on our projections, the University would become unable to meet its commitments as they become due in early July 2005. As a consequence we sought your Department's support in sourcing funds through the Department of Finance to a value of \$15 million, to help alleviate the problem for the period until the commercial borrowings sought to fund our restructure program can be put in place.

At the teleconference we described the industrial and governance requirements with which we had to comply in order to develop a detailed restructure plan to be approved by the University Council. This plan is a critical precursor to us being able to negotiate commercial borrowings. It is the University's belief that once a firm Change Proposal has been endorsed by Council, it may take some months for us to negotiate and secure the required borrowings approvals and then receive the funds.

It is for this reason that we are seeking the urgent support of your Department in assisting to secure immediate financial support of \$15 million through the Department of Finance. It is understood that funds would not become available until 1 July 2005 and would be required to be repaid prior to 30 June 2006.

I would greatly appreciate your putting in train the steps required to assist the University in this matter. Dr Gould and I would be very happy to discuss matters further with you should you wish.

Yours sincerely



Nicholas Saunders  
Vice-Chancellor and President





MINISTER FOR EDUCATION, SCIENCE AND TRAINING  
THE HON DR BRENDAN NELSON MP

20 JUL 2005

Professor Nicholas Saunders  
Vice-Chancellor and President  
University of Newcastle  
University Drive  
CALLAGHAN NSW 2308

*Nick*

Dear Professor Saunders

Thank you for your letter of 30 May 2005 concerning the University of Newcastle's financial situation.

As you know, I have approved a further advance of \$15 million to the University. I trust that this has resolved the University's immediate cash flow difficulties.

I would be grateful if you could keep me informed about the progress of the University's restructuring plan.

Yours sincerely

*Brendan Nelson*

BRENDAN NELSON