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PUBLIC HEARING DATED 22 SEPTEMBER 2016

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PROCEEDINGS ON 22 SEPTEMBER 2016

CHAIRPERSON: Good morning, everybody. There are only two of us today as Commissioner Khomalo is indisposed but we will proceed and hope that she will be back tomorrow. The evidence which is to be heard today will be a continuation of that program during the first set of these hearings. On behalf of the Commission I'd like to thank the witnesses who have prepared and are going to present to us and we look forward to what you have to say to us and we'll pretty sure it'll be instructive. Thank you. Mandla, Mr Zulu?

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MR ZULU: Good morning, Judge, and good morning to everybody. For the record my name is Mandla Zulu. I'm one of the evidence leaders. The first presentation, Chair, is from the Private Higher Education Independent Group. If I may just ask the presenters to introduce themselves.

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MS COUGHLAN: Good morning, my name is Felicity Coughlan.

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CHAIRPERSON: Cochlyn, C-O-C-H-L-Y-N?

MS COUGHLAN: No. Coughlan, C-O-U-G-H-L-A-N ...[intervenes]

CHAIRPERSON: Thank you.

MS COUGHLAN: ...and I'm the convening member of the Private Higher Education Interest Group.

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MS BUHRS: Good morning. I'm Helen Buhrs, B-U-H-R-S and I'm a member of the Private Higher Education Interest Group.

CHAIRPERSON: Who's going to do the presentation?

MS COUGHLAN: I am. Felicity Coughlan.

CHAIRPERSON: Felicity Coughlan?

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MS COUGHLAN: Yes.

CHAIRPERSON: Thank you. Would you like to go ahead?

MS COUGHLAN: Right, thank you. Good morning, everybody, and thank you very much for your time and for this opportunity. The Private Higher Education Interest Group is an association of private higher education provided. Focused predominantly on issues of reputation and quality and in the private higher education sector as our primary purpose is to stand alongside the public education space within, with full rights in terms of quality and reputation. So a slightly different focus from the other private higher education group that will be speaking to you later today. We have updated some of the things that we want to talk about quite considerably. It doesn't seem to be given the importance of the task at hand and the time that you need to spend on it, rehearse things that have already been said. So we will touch on those elements that we agree and we have also shortened some of what we want to say based on again principles that we agreed with from some of the statements made yesterday, Judge Heher, by yourself in terms of matters already extensively rehearsed. So we will just, rather than make the arguments for the umpteenth time, just confirm areas in which we are supportive of the direction that the broader debate seems to be taking.

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CHAIRPERSON: Forgive me for not knowing precisely who the members of the Private Higher Education Group are.

MS COUGHLAN: Right. Okay, so ...[intervenes]

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CHAIRPERSON: The Private Higher Education Group. Perhaps you could just tell me, does St John's School for example ...[intervenes]

MS COUGHLAN: No, this is higher education only.

CHAIRPERSON: Yes. Okay.

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MS COUGHLAN: So we are, our members are, I'm from the Independent Institute of Education.

CHAIRPERSON: Yes.

MS COUGHLAN: We have in the region of 33 000 students. We also have the Monash South Africa Campus. We have the Inscape Education Group. We have Da Vinci. We have the Milpark Business School. We have St Augustines. We have Boston. We have the International Hotel School. Some members are members of both entities. Some of us for very specific reasons are not.

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CHAIRPERSON: What sort of persons are not members of yours, of your organisation who could be? In other words, either because they're members of another organisation or because they're not members of either.

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MS COUGHLAN: I should imagine – there are two things we require as part of our terms of reference, full compliance with the legislation. So we accept only members who are fully registered with the Department of Higher Education and Training and are in good standing. We are – so that is why we've associated ourselves as an interest group as opposed to any other kind of representative structure. So there are several members like Boston, for instance,

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that belong to both APPETD that you're meeting with this afternoon and to us and there are members for whom we have declined membership because they are not currently in regulatory good standing.

CHAIRPERSON: Well now why do your interests differ from those of APPETD or don't they?

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MS COUGHLAN: They do. Our fundamental difference at the moment in terms of the scope of this commission is that we do not believe that any state funding should be directed in any way to the private sector. We fully support the current structure in that the private sector should be paying for full costs in relation to regulation accreditation and we think it is completely inappropriate to be advocating for redirection of any subsidy towards the private sector. So our interests are fundamentally different on this matter.

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CHAIRPERSON: Ja, I can understand why your interests on this matter should differ, but why are, why is there a different body?

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MS COUGHLAN: Right.

CHAIRPERSON: Why don't you all belong to the same body?

MS COUGHLAN: Because we differ on matters of principle in terms of the appropriateness of the role and the position of the role within higher education. APPETD has a very large membership that extends to further education and training and to, well to the TVET space. So they have a membership that covers a far broader field than we do and therefore obviously have very different pressures from their membership. Our focus is on higher education only. All of

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our members are registered higher education providers. We do have some members who operate in some programs in the TVET space but we are all higher education providers. APPETD has several hundred members that are in the other parts of the higher, of the training and development sector.

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CHAIRPERSON: Do your members compete with universities or do they supplement the education provided by universities?

MS COUGHLAN: I think that the private higher education sector is supplementary and complimentary. We would compete in some fields and we would compete in some regions. There are regions where growth in the private sector has been quite significant in fields that the public universities offer but on the whole students who register in private higher education institutions are doing one of two things. Firstly, they would be looking for niche programs such as those offered by my colleague to the left where those programs are perhaps not offered in exactly the same way within the public sector and so that would be complimentary. There are more generalist fields such as IT and business that we offer and a large number of students who register within the private higher education sector are registering because they're not able to access their institution of first choice in the public sector and we think that that is a perfectly acceptable reason to opt for elsewhere. We also have because our campuses are smaller sometimes great ability to, greater ability to deal with students with specific learning needs or particular deficits and then we also have on some programs within very high

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expectations in terms of targeted pass rates that some students for personal reasons find the environment on some of our campuses more acceptable. So I'm sorry, that's a long answer to a simple question ...[intervenes]

CHAIRPERSON: No.

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MS COUGHLAN: ...but it's neither, it's not one or the other. It really is much more about the range of choice that is, should be accessible to students.

CHAIRPERSON: And are you all, are all your members fee charging institutions?

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MS COUGHLAN: Yes, we are. All our members are fee charging institutions. All our members also run significant bursary programs but obviously we are not able to, given that we are dependent on the fee income, are not in a position to be supporting any of the students that you are focusing on here and we don't believe that any of state funding should be redirected to enable us to do so.

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CHAIRPERSON: And none of your members are non-profit organisations?

MS COUGHLAN: Several of our members are – no. The current PHEIG people all are profit organisations. However, St Augustines which is associated with the Catholic Church is more on a cost recovery basis at the moment rather than an initiative on the part of the Catholic Church to make profit. We don't currently represent any of the institutions that are completely faith based, that are offering only theology programs. Several of those are not for profit.

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CHAIRPERSON: Alright, another question if you will ...[intervenes]

MS COUGHLAN: Absolutely fine.

CHAIRPERSON: ...indulge me. Are you able to say as in general terms what the racial mix of your students is?

MS COUGHLAN: I can certainly speak on behalf of the Independent Institution of Education, about 80% of our students are black. We have some campuses where that percentage is slightly different, depending on the demography of the area that we are working in. Across the Private Higher Education Interest Group it's probably closer to 75% black.

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CHAIRPERSON: So not far off the national demographic ...[intervenes]

MS COUGHLAN: Not at all.

CHAIRPERSON: And the other races I assume are similarly represented?

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MS COUGHLAN: We use the definition of black to include African, Coloured and Indian.

CHAIRPERSON: I see.

MS COUGHLAN: So we use the Labour Legislation ...[intervenes]

CHAIRPERSON: I see.

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MS COUGHLAN: ...definition. We have in our generalist, and this applies to all members, in generalists qualifications probably closer to 90, 95% black. In the specialist areas in those industries that haven't transformed that is unfortunately still reflected in our student bodies.

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CHAIRPERSON: Alright, thank you. So I now know who's talking to me ...[intervenes]

MS COUGHLAN: Right.

CHAIRPERSON: ...and I'd be grateful if you would proceed, thank you.

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MS COUGHLAN: Right, thank you. Right. Our presentation focuses I think on the two key issues that we consider to be at the heart of trying to resolve this and that is to do with those students who receive substantial support, whether it's through a fee free model or through the NSFAS model and that would be those students currently below the NSFAS threshold and those students in the missing middle. Our principle point of departure is that students who can afford higher education should be paying for it and that some form of cross-subsidisation therefore from the upper middle classes or the wealthy, however one wants to refer it, of students not able to afford fees is morally and socially correct and that a model that provides fee free education for those with a large amount of disposable income is not only probably not affordable but is not socially correct and we believe that if people can afford education that they should be required to pay for it. The students in the missing model are of particular concern to us. Sorry, I'm forwarding the presentation on my own keyboard. The people in the missing middle are of particular concern to us simply because we believe that the cut-off threshold are way below the affordability setups for, affordability factors for those students in the middle and while we

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welcome the announcement made by the minister of some form of support for those, we don't believe that it actually alleviates any of the pressure on those that fall in the lower band of that. In other words just above the NSFAS cut-offs. We – so we ...[intervenes]

CHAIRPERSON: [Indistinct, 00:14:44]

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MS COUGHLAN: Yes, there is. No matter where that goes.

CHAIRPERSON: [Indistinct, 00:14:47]

MS COUGHLAN: Absolutely, which is why part of what we have touched on in our presentation is to do with the tiered system. We are concerned about trying to address that complexity that you've spoken about by introducing a tiered system that adds the administrative burden beyond the return on the money invested in such a system. In other words if a means test has to be applied to absolutely everybody to work out a proportion of what they should pay. So we think that it's probably simply a pragmatic decision that a level is set above which people should be required to pay in full for their education. But you are correct, there's always going to be somebody just above that. We do believe that within any system, a three tiered system in a sense which is what we now have with what the minister has done that issues of corruption and fraud are of serious concern because there may well be a motivation now particularly those sitting between 500 and 700 000 to understate their income. So we believe that any solution that is put on the table has to include careful attention to verification of data because the last two, those students lower down the system is of critical

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importance.

CHAIRPERSON: [Indistinct, 00:16:16]

MS BUHRS: In our institution we have a scholarship program and we do so with the scholarship program. We categorise the students based on income and we ask for proof of incomes, proof of bank statements to do so and we award scholarships based on that.

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CHAIRPERSON: [Indistinct, 00:16:41]

MS BUHRS: I would like to think so and I can probably verify it because having come to know those individuals, we're talking about 40 individuals so it's not a lot. But having come to know those individuals they've presented additional concerns that they can't come to campus, they can't afford accommodation, they can't ensure a MacBook and so on. So retrospectively yes.

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CHAIRPERSON: Thank you.

MS COUGHLAN: The majority of the larger providers that are part of PHEIG are currently debating what is an appropriate form of means test. In a sense the applications work a different way round because the students know that fees are built in. So its students – and fees are expected because we are only fee paying institutions. So students make application then for the financial support that is available and most of the institutions that are part of PHEIG have quite rigorous selection systems based on that. However, I don't believe that we are always able particularly within those students who would fall below the current 600 000 level for instance, that we are always 100% correct and we are certainly aware because of the

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desperation for education over the last three or four years an increase in applications that are perhaps most generously described as creative. So we are certainly giving far more attention to that within the PHEIG space. Right, can I continue?

CHAIRPERSON: Yes please.

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MS COUGHLAN: Right. Right so in terms of the GAP funding and the missing middle, just to summarise and to wrap up what we want to say in that space, is that we believe that a cut-off has to be there and that it is going to cause issues but that it's more pragmatic and effective than a tiered system with a whole lot of complicated tiers because that's going to be very expensive to administer. We believe the management of the means test and the fraud processes are extremely important and we believe that people who can afford to pay for their education should. We also believe that there should be an annual adjustment of the levels within perhaps, definitely at the lower end and probably at least annual if not bi-annual at the top of what is now pretty much understood to be the missing middle.

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CHAIRPERSON: Now what will happen if the missing middle were to be catered for through NSFAS or through a government subsidy to NSFAS to provide for them? How will that affect your members?

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MS COUGHLAN: The – as is evident in some of the data that APPETD have presented to you this afternoon, the fees, the fee range in the private sector is very wide. So there are several large providers who are catering predominantly for students considerably above the missing middle and there are several that are catering for

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students far lower down. So the impact is likely be varied. I do believe though that the reality is that the public higher education sector cannot accommodate all of the students and if we are offering students a proposition that works for them, educationally, socially and economically, that whether or not there are fees in, at any level within the public sector the private sector must as a fee paying sector offer a value proposition to students that stands on its own and that doesn't grow or die on decisions that are made about the public sector. I am extremely concerned about some elements that would suggest that some of the difficulties in the public sector are good for the private sector because if the private sector is only space to grow is based off the back of the struggles of the country's majority that is a very, very dangerous situation for us all to be in. So some people may be affected, but, and they may well hold additional support to the middle classes responsible, but I think that's just a failure to acknowledge the value proposition that that individual institution is offering to an individual student. Because we are not coping for the majority of South African institutions we are working much more on the basis of an individual student's decision and a family's decision about what is affordable and accessible and appropriate and therefore are in some senses in a privileged position that you can offer a more focused offering to a student and if you ...[intervenes]

CHAIRPERSON: Yes, so what you're telling me is that you're not unhappy at the prospect that NSFAS support may be extended?

MS COUGHLAN: I think it should be extended and we would not be unhappy if it was extended all the way over the top of the missing middle. We think it would be completely inappropriate for the private sector to grow off the back of unaffordability in the public sector. That's just socially, completely and utterly inappropriate. 5

CHAIRPERSON: Thank you for that candour. Yes.

MS COUGHLAN: Sorry, subtle is not my strength.

CHAIRPERSON: No, I appreciate the candour.

MS COUGHLAN: Right. Moving on then, sorry and I'm doing it again. We're of the opinion that fee free education is not the same as free education and that those that have benefited from higher education should be required to pay it back. Two reasons. First of all that some of the money can be recycled and so therefore that you have some form of renewable income. We also believe though that there – there are two reasons why a fee free education system and fees are not really the only point. The reality is that several public institutions carry a disproportionate burden of South Africa's very inequitable social system and therefore it is not really even about what NSFAS can fund and whether NSFAS can cover the full costs for students even of living expenses. And we think that any system, rather than pushing higher and higher up into the missing middle on a general fees plus books plus living expenses should be tiered to cope, to cater more generously and more holistically for students at the bottom. We don't think that that necessarily should be an individualised grant and we think that the funding model should be 10 15 20 25

taking into consideration residences, meal allowances and meal supplementation for students at the bottom end. So it's not necessarily a solution just to be feeding and a whole lot of additional money to those students, but I think institutions that carry a disproportionate burden of the poor should be in a position to be getting more funding and if that's got to be a choice between them and the top part of the middle, our feeling is that it should be redirected rather to the bottom. We believe that institutions can't bear the burden of further reducing income and therefore that some fees need to be available. We also think that fees and that discretionary income and the discretionary spending that comes from it and I think the universities would mock my use of discretionary because at the moment they are barely managing to pay their bills and don't really, aren't really managing to do the creative things they would want to do. But nevertheless we believe that control over some form of fee income and some ability to structure one's own budget and prioritise specific research areas etcetera is part of what makes higher education higher education. So we don't believe in complete dependence. However, that takes us back to the initial point which is that if an institution is bearing a disproportionate burden of poor students and we have a system in which only the wealthy are paying fees you could land up in reinforcing inequity there which is why we are suggesting that those institutions carrying, if we take Fort Hare's decisions for instance, I think it illustrates the point perfectly. They were able to make an

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immediate statement because they have so few students that they are, that they would be charging fees for that they would have to collect the increase from the students. Therefore for institutions like that there should be reasonable and sufficient funding available to cover things like residences and meals and food and data and printer costs and travel. We believe that the social connection to peoples' families are important and that it is not necessarily healthy just to be keeping students for instance in residences over the holidays. So we believe that that's where it needs to be. So students should be expected to pay back. We believe that discretionary spending is important and we believe that institutions that carry a disproportionate burden should be funded differently and not just on a per capita basis of increase in NSFAS funding. In terms of getting the money back, our one concern here particularly in relation to the missing middle is that that is the group that is predominantly funding university education through bank loans and if they are then required to pay the bank loans and the interest and something like a greater tax that you then start pushing people into a really, really tough situation. So then one would say that perhaps it's only the people getting NSFAS money that should be paying back, but the rest of what you're doing at university is funded anyway by the fiscas [?]. So we would like to see quite a creative solution that is more than just paying back the NSFAS funding, but recognises that graduates who have benefitted from the tax system and we would say, just in case it becomes a question later today that

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exclusion of private sector graduates is not our proposal. We believe the graduates are, have benefited all the way through. So that relates to the money coming back. And –

CHAIRPERSON: [Indistinct, 00:27:45]

MS COUGHLAN: Sorry, just one other thing. 5

CHAIRPERSON: Okay.

MS COUGHLAN: We have a serious concern about the position of universities within the demand and the social structure related to post-school options and we think that some of the pressure on universities is, and we've heard this over the medium a lot in the last couple of weeks in particular, is this assumption that a degree is the form of education that takes you out of poverty and therefore the demand that is pushed into universities and therefore some of the success rates and some of the efficiency issues is driven social messaging that undervalues other options. Now obviously the private sector falls in there but that's a very small part of it. TVET colleges and the work for instance at the universities of technology used to do within the diploma space have become seriously socially undervalued and students present, they present to us and they present everywhere else with very strong messaging that the only qualification that matters is a degree. And we believe that this has resulted in a mismatch between expectation and capacity. It's resulted in pressure on the universities. So we believe fees and everything else notwithstanding it's, you're not having a throughput problem only because of all of the traditional message, but because 10 15 20 25

there is social messaging that as much as the department of higher education and training is trying to encourage people to go to TVETs, there's no social standing associated with those. And young peoples' position is very much the ...[intervenes]

MR ZULU: Ms Coughlan ...[intervenes]

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MS COUGHLAN: ...degree is what they need.

MR ZULU: ...a lot of people will agree with you but how do we then go about changing that, what I call a stigma attached to going to a TVET college and going to a higher, well going to a university? Because this starts as you grow up, you hear about it. So how do we as a society go about changing that particular perception?

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MS COUGHLAN: I think to start with text books and you start with the messaging in primary schools and the people who get invited to schools' careers days and with the media and you make some of those things that come out of the TVET colleges, a social consciousness of those career options rather than messaging that focuses on Grade 10s that seems to have the underpinning message that if you don't get into universities remember TVETs are just as good. I think we need to be prescribing text books that have got strong female completely black owned BBE level 1 plumbing companies, I think that perhaps we've done some harm. In the LO curriculum we speak about female doctors as if that's progress. I think we need to be speaking about female plumbers. That's – and I – and that's not the purpose of this commission, but I just, I think it's a conversation that starts there.

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MR ZULU: Well it, my initial view that it would, had not formed part of this commission, however, in order to answer the question of funding you've got to look at other areas which effect funding. Now I'm just looking at the practicality of getting past the issue of the perception as I indicated to you. You see you have a teacher who themselves have degrees. What is the likelihood of that teacher saying to a child, no, I think the route of a diploma is much better for you and of course the business and industry, private sector, that says a person with a degree will give me more in my company than a person with a diploma, rightly or wrongly and therefore that conversation where does that conversation take place?

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MS COUGHLAN: I, and these are not necessarily the points of view of PHEIG, I just need to make that clear. I certainly didn't, this wasn't part of the prep discussion.

MR ZULU: Understood.

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MS COUGHLAN: So more in relation to a personal, I'm very concerned about the naming conventions that we have given to qualifications on the OQSF. I think that what the universities of technology were able to do by getting a focus on degrees and being called universities has created part of this problem because instead of having a system that moved from practical through to theoretical we have a binary divide now between the universities of technology. So I think that one of the things that we could do is reconsider the naming conventions on the OQSF. We could reconsider the qualification structures and we could give far more attention to the

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efficiency of the QCTO and its delivery in that regard. Because if we were able to return to a more streamlined messaging system as opposed to now the binary divide between TVET, you would be able to address some of the issues. We also, if we were able to bring back some kind of understanding within the universities of technology around diplomas and we had more of the teachers backing diplomas and we went back – so I think that we, as much as we did it for all the right reasons I think we made some fundamental errors within the naming and the classifications and the stratifications and the qualification frameworks and I think that we've created a language that takes us absolutely nowhere. Because you, and I think that although the way that people manage to make it sound like a ludicrous idea, that the OQSF would go all the way up to level 10, people say but who wants a level 10 in hairdressing and so the idea was abandoned. And I think that that was short-sighted. I think that if the real difference between vocational education and trades and education and training and higher education were revisited and we went back to a qualification structure that was actually deeply respectful and was not cut off at level 5 with a naming convention that sounds inferior, you would have part of a solution. So if one could rewind I think that the OQSF was a mistake and I think that the naming conventions and the cut off at level 5 within that qualification structure was a mistake.

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MR ZULU: Thank you.

CHAIRPERSON: Perhaps ...[intervenes]

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MS COUGHLAN: Please can I just again say a personal opinion.
Thank you.

CHAIRPERSON: Perhaps one of the solutions might be to provide
better vocational training within the schools themselves, starting
shall we say at a three or four years before matric and culcating the
idea of the alternatives that are available ...[intervenes]

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MS COUGHLAN: I think ...[intervenes]

CHAIRPERSON: ...with greater emphasis upon the technical and
the college aspect.

MS COUGHLAN: I think the streaming from what were very strong
technical schools into that sector has also been undone in very –
and the difficulty is that with our apartheid legacy a lot of those
things had been abused. So I understand why we dismantled them
but I don't think that we fully understand the cost of what we've
done. So the streaming from really strong technical – the only way
that you can really do a technically based school leaving certificate
now is in a school that's predominantly remedial and the messaging
there is wrong because these are not options just for children who
can't do something else. But these are options, as you say, for
children who have opted for something different.

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CHAIRPERSON: Thank you for your insights. I realise it took you
out of the flow of your presentation.

MS BUHRS: Sorry, Judge Heher, could I add something to that? I
don't think we should forget the value of our access programs and
as an example we have higher certificates in architectural

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technology and 50% of those graduates go on to universities that would not normally have access to universities. And perhaps it's a too late a start already if those access programs were happening at an earlier stage in the learning cycle. But those children or those individuals actually enter the system and it becomes a reality for them. They can either reach those stars or they take another route, but at least they're already on the journey. So I think we mustn't forget the access programs that then do allow some type of articulation.

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MR ZULU: Well we heard from a gentleman from Richards Bay who indicated the same kind of, but what he's proposing is a system where he would have a tiered system of education that probably your TVET, your certificates then allow you – it's a longer time but it allows you then if you want to proceed academically and research you can go ahead and go to a degree and your doctorate. But that you would have one system and everybody would understand the system. Whether that will happen in my time or not I'm not sure, but I understand what you're talking about.

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FEMR ZULU: The architectural qualification you're talking about, do the students get credited when they get to university for those qualifications or not? Do they have to start from the beginning and how long does that qualification take?

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MS BUHRS: So it's a higher certificate in architectural technology. They enter into the first year of architectural studies at a university, but having applied a year before they weren't being accepted. So

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it's providing them a foundation and yes it does take them a year longer but at least they're gaining access.

FEMR ZULU: The program itself, how long does it take before you get ...[intervenes]

MS BUHRS: It's a yearlong.

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FEMR ZULU: It's a yearlong.

MS BUHRS: Yes.

FEMR ZULU: Okay.

MS COUGHLAN: Can I just say that that takes me back to what I said right at the beginning of my presentation of what we're trying to do at PHEIG, is around building relationships with the publics around initiatives such as that and around recognition of the fact that some of the support for students who need a little further beyond school could be done between the public and private sector. But – and our focus is on that sort of partnership as opposed to the use of any of the state funds. It's not always easy. Universities have a long history of being completely dismissive of the private sector and don't let evidence of good practice in the sector get in the way of a good prejudice.

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MALE SPEAKER 2: Just a further question before you conclude. Could you please indicate what your throughput rates are for your member institutions?

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MS COUGHLAN: They vary dramatically by a field of study. We are sitting on – okay. Are we using throughput at a modular level or graduation rate, which throughput are we using?

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MALE SPEAKER 2: Graduation rate. I believe that on modular level it's a bit deceptive because you're looking at, I think it's high 80s in the public institutions.

MS COUGHLAN: Okay. That's the success rate, not the throughput rate and the throughput rate at graduation level the way it's defined or certainly used to be defined on HEMIS is equally misleading because it doesn't take into consideration the skewing effect of growth in the first year numbers. So the graduation rate that we use is generally a cohort based one. In other words only that you are taking your graduates and minimum time over the starting group as opposed to your graduates over your whole first year intake which is, I understand the DHET's or certainly was the DHET's definition not long ago. In that case at some of the institutions such as Milpark on a minimum time basis for fulltime students we're talking in the region of 60%. For part-time students it drops quite significantly, even on an amended minimum time. Ours is sitting unfortunately in the region of about 47 to 49% minimum time for a full three year qualification. A maximum time it's starting to push closer to the high 60s.

MALE SPEAKER 2: Thank you.

MS BUHRS: Do you want me to add mine? So with our higher certificates we're sit anything between 60 and 70% depending on which higher certificate it is. Our diplomas we sit on a 97% throughput rate and our degree we sit on about a 76% throughput rate.

FEMR ZULU: Minimum time?

MS BUHRS: Minimum time.

MALE SPEAKER 2: [Indistinct, 00:41:19]

CHAIRPERSON: Do the evidence leaders or the experts have any
...[intervenes] 5

MALE SPEAKER 3: Sorry, can I just ask one question?

CHAIRPERSON: Yes, of course.

MALE SPEAKER 3: Have you ever experienced the kind of
protests that we are currently experiencing around the country
where students are protesting against this issue of fee increases? 10

MS COUGHLAN: Yesterday afternoon, we have just opened a
campus across the road from Wits and we had an invitation from the
Wits students yesterday afternoon for our students to participate
which I'm informed our students declined. We have not had though
related to our own issues except for yesterday, disruption of teaching 15
and learning of this nature. We did have towards the end of last
year several questions at several of our institutions about the size of
our fee increase but no, we don't generally have this level of
disruption of teaching and learning.

MALE SPEAKER 3: Do you have a discussion with your members 20
about perhaps at capping the amount of profit that your members
can make out of the tuition fees?

MS COUGHLAN: No. We do speak a lot though about capping
fees and about the affordability calculations that are used around
fees and about the cost of delivery of higher education. I would say 25

that except for a reasonably small number that the level of profit is, ja, it's not something that we've spoken in detail about at meetings. It certainly, we understand when people are struggling with student numbers and they've already invested in infrastructure. There is a conversation then about the impact on profit. 5

MALE SPEAKER 2: You don't exactly know how much your members are making in profits?

MS COUGHLAN: I know what some of the members are making because they're listed but certainly the unlisted members it wouldn't be as clear. 10

MALE SPEAKER 2: Thank you.

CHAIRPERSON: I still have one further question if you don't mind. In relation to the repay back obligation is it your view or the view of your organisation that all students who receive financial aid should pay back? I'm not talking about people who obtain scholarships, that's a different situation, but those who receive loans. Should all pay back or should it be dependent on whether they are employed in due course? When should the pay back obligation arise? Should some exemptions be made for the very lowest levels? Are there, is there any sort of scale or gradation that you could suggest? 15 20

MS COUGHLAN: Right our discussion at PHEIG on this matter is that the payback shouldn't happen until a person is employed. We understand that there are even for graduates' employability issues and we also believe that there should be some incentive related to throughput. What some of our members have suggested though is 25

that throughput should be measured beyond the first year. That that transition from, while we still have a three year system for the BA degree that we should be calculating. So penalties around throughput in any form of funding shouldn't apply to the first year.

So throughput should be calculated in a new way from the second year on. Payback should be related to students who are earning and that it should be done as a proportion, not necessarily of the

loan in the first five years, but a proportion of the post-tax income so that people who hit the market should be expected, with a great salary, should be expected to pay back their money faster. We do

believe that everybody who gets some of form of funding should pay it back but we accept for the problem of a graduate tax being on top of an interest burden for the missing middle, we would consider a

graduate tax that covers people who in fact were not funded through the schemes as probably more equitable. Because in a sense you're only having to borrow money through something like NSFAS

because you're at the bottom anyway. So if you're the only ones who have to pay back post-graduation that reinforces that position. What we're concerned about in terms of a graduate tax though is

that same problem hitting a larger proportion of people in the middle. But generally only once you're earning as a portion of your earnings, not of the loan.

MS BUHRS: Could I add something? The graduates who do find employment should be monitored by the universities as a traces study because this is going to be very indicative of whether the

program is successful or not and perhaps there could be a rating system and the institutions that are providing employable candidates are probably doing a far better job than others that are not.

CHAIRPERSON: Thank you ...[intervenes]

FEMR ZULU: If I may, Chair. Sorry, Judge Heher.

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CHAIRPERSON: Yes.

FEMALE SPEAKER 2: Just one more question please.

CHAIRPERSON: Yes, of course.

FEMALE SPEAKER 2: Are there measures taken by your members to try to keep fees down, to reduce fees and can you give us some examples if there are such measures?

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MS COUGHLAN: Fee increases across, and again it's an institutional response across our 77 programs averaged just under 5% for next year. We are very conscious of affordability. It's a pragmatic answer as well as a social answer because the reality is if we become unaffordable students won't register with us, but we also recognise that every, the economy is in a mess. So we are certainly, we are way below certainly what the private schools refer to as the price, the education inflation index. So we're averaging in the region of 5. Those of our members that I spoke to in the last couple of days, I'm unaware of anybody exceeding 7.

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MS BUHRS: Okay, so I can – we've committed to a no tuition fee increase for next year. We do provide our students with all of their equipment that they need, MacBooks, Wacom Tablets and there'll be an increase on that, dependent on the Rand/Dollar exchange, but

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there's a zero tuition fee across the board first to third years. We also fund, for every 20 fee paying students, there's one scholarship student.

FEMALE SPEAKER 2: And how are you going to make up for that no fee? 5

MS BUHRS: By becoming operationally efficient.

CHAIRPERSON: Thank you, Ms Coughlan, Ms Buhrs. We appreciate indeed the work that you've put into it and your willingness to answer questions that are outside of your direct preparation. Thank you. We will certainly consider this and presumably some part of it will be included in the reports that we have to submit. 10

MS COUGHLAN: Thank you for your time and the opportunity.

CHAIRPERSON: It's a pleasure.

MR ZULU: Thank you, Mr Chair. May we request that we adjourn for a few minutes? Our next presenters I believe they are here, it's UNISA, but just to make themselves comfortable. 15

CHAIRPERSON: We'll take a 5 minute adjournment. Thank you.

MR ZULU: Thank you.

HEARING ADJOURNS

HEARING RESUMES

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CHAIRPERSON: Thank you, Mr Zulu. Who are the next presenters?

MR ZULU: The next presenters, Mr Chair, it's UNISA. I'll give them an opportunity to place themselves on record.

CHAIRPERSON: Please sit down. Would each of you like to 25

introduce yourselves please?

PROF MAKHANYA: Thank you so much, Chairperson, and the members of the Commission. I am Mandla Makhanya, the principal and vice-chancellor of UNISA. I'm accompanied today, Honourable Justice, by Mr Phumlani Zwane. He's our chief financial officer on my left side. On my right-hand side we have Ms Liana Griesel. She's the executive director of planning and quality assurance and then the other gentleman who is with us is Mr Willem du Plessis. He's the acting executive director of finance. Thank you so much, Chairperson.

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CHAIRPERSON: Who will be presenting?

PROF MAKHANYA: I will do so.

CHAIRPERSON: Thank you, Vice-Chancellor.

PROF MAKHANYA: Thank you so much.

CHAIRPERSON: Yes, Professor Makhanya.

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PROF MAKHANYA: Thank you so much, Chair, Honourable Justice. What I will like to do before I can get into the presentation itself, with your permission, is to simply just present a preamble to the submission. This is mainly, Chairperson, prompted by the announcement that was made by our minister this Monday that from our side as a university both our council and executive management we have welcomed, you know, the announcement made by the minister. This is in relation to the fact that, Chairperson, we know it's important for us to make reference to that, particularly because we prepared ourselves prior to the announcement having been made.

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But when we're looking at our own submission we tried to tweak here and there but we felt that having done the empirical evidence the information that we've actually been sharing, we'll be sharing with the Commission, will still carry the kind of value that we had actually sought to share. But also just to acknowledge that from the ministerial statement, you know, the assessment of universities is facing or the extremely difficult financial situation is a matter, Chairperson and members of the Commission, that we are acknowledging that from our side we also believe that we have an important role, you know, in contributing to education in our country. But we are saying that our success is dependent largely on the success of contact in the residential universities and therefore our view is that much as we are a dedicated, comprehensive, open and distance e-learning institution, we will not actually be successful unless all the other parts of the higher education system, inclusive of the technical and vocational education part of our sector is actually operational. And then we acknowledge, Chairperson and members of the Commission, that we are actually going through a challenging time in terms of our economic situation. We know that pursuing higher education is actually a costly endeavour. We do acknowledge as well that student activism in challenging the cost of our education in our country is a matter that we cannot simply just dismiss, but we need to acknowledge because it is legitimate. And we are very excited, Chairperson and members of the Commission, to actually acknowledge from the minister's submission that for the

first time we are going to be taking care of the missing middle. I'm saying this largely on the basis of an understanding that when we look at our society today that much as perhaps as a decade ago from the middle class of anybody earning between 200 000 and 600 000 it will not have been a challenge to pursue higher education. But as a result of the changes that we've experienced for the last decade, you'll find that that category of our population is also finding it actually quite a challenging task to meet the demand of higher education. So therefore our understanding is that covering the indigent part of our students via the NSFAS funding that is extended by the state but also bringing on board our missing middle. It's going to make a huge difference in the sector as it were. So we therefore are very excited about this. But we also want to add, Chair and members of the Commission, that we are excited about the role of the National Skills Fund in this endeavour of bringing in the significant [Indistinct, 00:59:04], Chairperson. Just on the first point that we are approaching our own activities within the context of understanding financial sustainability. Because we are saying that we cannot just hope that things are going to continue as they had been in the past. The reality has dawned that there are financial constraints so which will require everyone else in any kind of organisation to begin thinking anew and then working in a smarter fashion in order to ensure that the resources at your disposal are used, you know, to the maximum with the full benefit that they are actually meant for. So within this kind of an arrangement we are

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saying that we can succeed if we base our own work on financial and strategic planning as an overall driver of how we proceed in this area. But once the resources are actually within our own disposal that we then start diversifying our income so that we, as much as we understand that we've always been getting a significant proportion of income from the side of the state that with the developments that are currently under way we have to actually begin looking seriously at the area of third stream income. From the side of the university we've said to ourselves that in order to succeed in this area let's actually not simply just think this, but put in place some processes that are going to assist us to move in that direction. So we are going to be putting in place in the next few months a business enterprise unit that will actually be giving a clear kind mandate of working at increasing the third stream income of the university in order to subsidise the income that we'll be getting as an institution. But we are saying that once that is in place the question of sound administration of our finances is a critical component because if you find that those who are supposed to be taking care of our purse are actually messing around with it, before we know it we might find that we've actually lost that as well and then also ensuring that the income generation is a matter that we just need to take seriously as an institution.

CHAIRPERSON: At the moment what percentage does your third stream income make out?

PROF MAKHANYA: Well at this stage, Chairperson and members

of the Commission, it's actually a small proportion. We still actually are covered almost with two-thirds from the side of our government and ...[intervenes]

CHAIRPERSON: [Indistinct, 01:05:35]

PROF MAKHANYA: Absolutely. Ja, so we still requires that we 5
must think seriously about upping our game in this area because we
know that as move into the future that's where we have to play in a
significant manner in order to bring some stability within our own
resource base. And then the challenges of course that we need to
acknowledge is that there are financial restrictions that are 10
accompanying the way in which we are conducting our business.
Among these we are saying that as we do our work of teaching and
learning, of research and innovation and community engagement
that across the board we have to transform the way in which we are
conducting ourselves. We must acknowledge where we're coming. 15
We must acknowledge that there's a huge kind of challenge insofar
as areas of transformation are concerned and for us to be
successful in that area we need to have some kind of capital
injection because we can't say we are going to change but at the
same time we're going to squeeze the area of ensuring that the 20
resource base is actually enlarged there in that particular category.
So what we are doing is that as we bring in that element of trying to
bring stability within an institution we've succeeded in the area of the
students diversification which has actually gone exceptionally well
over the past few years. I'll talk about the percentages later. In 25

staffing we've also begun to make some significant inroads. In the area of our own curriculum, we are making some steady progress and we feel that it's an area that requires a focused attention if we have to actually time the way in which we have to turn the corner within the next few years. But this is actually happening simultaneously, 5
Chairperson and the members of the Commission, in tandem with the reality that has dawned that the costs of our staffing are also rising. This is mainly as a result of the fact that we have begun to realise that for us to be successful as an institution we have to acknowledge the fact that much as in the past when the university 10
was still operating on a model of being correspondence, when the university transitioned to becoming simply just distance education before we introduced the new model which requires a huge injection of technology, that it requires significant staffing. Because what you then do is that we expect a certain number of students to get 15
mentorship in the process of being actually assisted, to make progress in their own studies. But then the staffing costs are actually rising at a rate at which we are now putting some kind of a magnifying glass to say we need to cap that cost because we have to justify why in terms of our costs structure we are getting a 20
significant increase in the professional and administrative staff. This in our case is mainly pushed by the fact that we are an open, distance and e-learning which requires support for me as an academic to be successful in delivery of my own work. Insourcing, Chairperson and members of the Commission, is a reality that we 25

have to actually address. In the context of doing this we are saying to ourselves that in extending this kind of reality in a manner where bringing in those who have been operating on the margins from the service providers that we have to have an equitable distribution of resources among everyone else. But it does obviously mean that we are squeezing the way in which you used to operate as an institution.

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MR ZULU: Sorry, Prof. Perhaps you can – sorry, Prof. Perhaps if you can explain to us in your specific situation what you mean by the insourcing and how it appears and presents itself in your own institution.

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PROF MAKHANYA: Thank you very much, Advocate. In our case we have actually begun our work in a manner where we argued that we will drive insourcing within an understanding of the contract value that we have extended to the service providers. This was informed largely by the fact that we said going beyond the contract value will immediately plunge us into a crisis financially. Because as we budget we don't budget in a short-term but we look basically in mid-term and into a long-term kind of basis. So what we've been saying to ourselves, having developed a new strategy, 2030 we said we are going to be driving it within the [Indistinct, 01:10:34] five year each time as we actually improve on our delivery and we said that with the strategy being in place it has to be resourced. At the time when we worked on that the reality of insourcing was not in place. It only dawned towards the end of the year. That is why then we said if we

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then push the contours of what we had not expected as a result of the pressure we'll then find ourselves suddenly being plunged into a crisis. That is why our negotiations then with the stakeholders was we are going ahead because council actually is committed to this as well as management but within the confines of the contract value. 5

Now it will only kick in ...[intervenes]

CHAIRPERSON: [Indistinct, 01:11:16] I don't understand that. Does that mean that if, for example, you were paying a million Rand for the cutting of grass at UNISA that when you insourced the employees you would wish to do so within the budget of a million Rand? 10

PROF MAKHANYA: That is basically, Chairperson, what we are working on. As I said it's informed largely by an understanding that if we don't manage that element we'll suddenly find ourselves with a runaway costs that we actually ...[intervenes] 15

CHAIRPERSON: No. I understand that. I find it very difficult though to understand how the employees can be better off by the insourcing then.

PROF MAKHANYA: Perhaps, Chairperson and members of the Commission, I must mention that there's an interesting thing actually that is happening with this relationship between organisations and service providers, that you find that the cost of doing work that you pay for as a recipient of the service. When the distribution takes place to the workers it is actually at a fairly low level compared to what you part with because part of that which you pay becomes a 20 25

management fee. Now when we insource, what then happens which is very interesting is that these members of staff get into the system where the management systems are in place. So then you don't necessarily have to worry about that cost. They come in. So you redistribute that which was actually going into the pocket of the service provider. But then secondly over and above that, Chair and members of the Commission, what we then do extend as a university is that then we provide a housing allowance which is obviously not available with the service providers. We extend study opportunities to the workers including their dependents, in this instance we are talking about their own spouses and their children and then they also come into our own vacation regime where you find that with the service providers it is unpredictable. The numbers cannot be understood by anyone. So in our case it's 30 days clear cut per year where if they have not taken those they get paid out and so forth. So that immediately calculated in a cumulative sense begin to make a lot of sense which is why members of staff are interested in that. But the real process of insourcing will only kick in in the new year. What we are currently doing with the service providers, we started with the cleaning services, is to say from the service providers one takes over the responsibility of having them in the system during the course of this year, but what then happens immediately is that these benefits then kick in in order to settle the challenges that are confronting the workforce. But then once they get into the new year then they become the fully fledged staff of the

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institution. So we are doing it in phases, Chairperson. So that is why we are where we are right now.

MR ZULU: Prof, perhaps you misunderstood me and the chairperson guided you a little bit. When I asked you how it presents itself at UNISA, I was looking more to what you've recently been answering, namely what services are you insourcing. You've mentioned cleaning services. Chairperson mentioned cutting of grass. Now you hadn't, when you started insourcing you more or less started from a point of the philosophy of insourcing. I was asking in your own institution what do you intend insourcing?

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PROF MAKHANYA: Thank you very much, Advocate, Chairperson. We are working on insourcing the cleaning services, insourcing gardening services, insourcing catering services and then finally insourcing security services. So it's four services.

MR ZULU: Thank you.

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CHAIRPERSON: Building maintenance?

PROF MAKHANYA: Fortunately, Chairperson and members of the Commission, that was not outsourced in the past. So these are the only four ones in our case that had been insourced in the past. So I mean the areas are just recycling and so on, that entity falls under the gardening services. And then, Chairperson and members of the Commission, the student debt. If you look at the document that it has become apparent as well that the developments over the last few years, we are beginning to experience a situation where the student debt in our own case as a university is also increasing. But

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it tells you about the reality that has dawned, that we are beginning to have a number of students who are finding it difficult to pay for education regardless of how minimal our student fees are. Because it's always relative in the context of the income category of people [Indistinct, 01:16:52] about. But in our case I wanted to mention that last point that investment and technology is actually fairly significant because of the nature of our own operations. So having said that we can then, Chair, if you agree, then we can move on to the next point of our profile, that as a university we are a mega university in our country and our continent. In terms of our operations, currently we have eight colleges, starting from accounting sciences, agriculture and environmental sciences, economic and management sciences, education, human sciences, law, science, engineering and technology and then the college of graduate studies and finally we have that graduate school of business leadership that is operating from Midrand. Then we have five regional offices which are operating as hubs in various parts of our provinces but mainly the big cities and then over and above that we started a recent operation from 2006 onwards of a centre in Addis Ababa in [Indistinct, 01:18:03]. That's the only one that is outside the country and then we have 28 learning centres spread across the country. These are mainly meant to give access to our students to use them as the base for study purposes. We provide facilities like computers, library facilities, when they can't get those books that they're looking, articles immediately, those entities are linked directly with our main

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library here and we have a service that actually delivers the materials overnight. And we have a good library service, from our city here, the City of Tshwane which is actually having large options that students are looking for. So we service them in an adequate sense in that case. That we are one of the seven comprehensive universities in the country which basically means that we are expected to provide higher education from the level of certificates right up to a doctoral level. We are still largely operating at the level where we provide a significant operation at undergraduate level, but we've actually been doing exceptionally well over the last few years in growing our own operations at post-graduate level as well. The staff numbers, Chair and members of the Commission, that we are standing at 4 977 of head count, that's the audited staff numbers as from last year and then 1 715 head count. And then when we are talking about being inclusive of everyone else who is supporting our operations with our tutors, our markers, our e-tutors which is a new system that we've introduced as a result of our e-operation currently, that we stand at 19 166. And then we can move on then, Chair and members of Commission. In terms of student population that as at 2015 we were at 337 944 compared to 328 492 the previous year and the full-time equivalent was 190 878 which was slightly higher from the previous year. And then with the graduates that last year we managed to reach 40 000 graduates compared to 37 896 the previous year. And in terms of our profile as I mentioned earlier, Chair and members of the Commission, that we actually are seeing

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the fruits of the investments that we are making and diversifying that from the African category of our students, we've now reached 73% and then the gender area, that we've reached 64%. And that in terms then of the profile of our students who are accessing the support from the NSFAS Funding that actually have seen a significant rise as well in terms of the success in this area. The significant amount that has been invested in that area has in fact significantly, the last year, risen to 27 million but we are seeing also that within that category the number of those who cannot access, even if they qualify, is actually also beginning to rise which is partly what I mentioned earlier, Chair and members of the Commission, is as a result of the challenges that we are currently experiencing in our environment. And then if, Chairperson, you can allow me then to move on to the next one on the [Indistinct, 01:22:08] qualification mix that we are operating 18 of the 20 category of our education subject categories there. That is 30% in the business economics and management sciences area, 25 in education, 9 in law, 7 in social sciences. In science, engineering and technology we still stand at 5.75% but we are trying to grow that area. We've actually made a huge investment in laboratory facilities in our Florida campus in the last three years and we are seeing a significant inroad that we are making in the area of the nanosciences for instance which is actually good for us as we move into the future. Particularly in terms of the funding framework because the majority of our funding currently is in category 1 which is fairly low because those

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are areas that do not require that extent of an investment. The areas that are actually better are the higher categories. When you starting walking into areas like the natural sciences, architecture, medicine which, and in category 4, 3, 4, that's where the investments are better in terms of subsidy. Then in terms of qualifications we have, we are working on 728 qualifications on a QF level 5 to 10. That is from the first year entry point in a degree level up to a doctoral level and the modules are fairly significant, 3 182. And then the benchmarking with other open distance learning institutions that we obviously have been in existence much earlier than virtually all of them, since 1873. We actually are more or less, in terms of enrolments, operating at around the same level when it comes to enrolments, largely at undergraduate level and smaller numbers at post-graduate level. But in terms of numbers that we are taking care of, as a university we have a significant proportion comparatively speaking. And then when it comes to the sample in this particular area, insofar as the share in the market from our side as a university we stand at 27% so which means that in the category of open distance learning institutions we are actually operating at high level, Chair and members of the Commission.

MR ZULU: Prof, in relation to this profile are you able to, if not, you can indicate so, off the top of your head your age mix in terms of your students or are you, for instance that you would have a person after matric coming straight to you or are your students majority of them coming from people who in the old days went for a teachers

diploma, want to move on to a B.Ed and so forth? So what is the age mix of your student population?

PROF MAKHANYA: Thank you, Advocate. It's actually the latter.

We are significantly operating at the level of matured students. The

bulk of them are already within the well of work. But it's interesting

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that over the last at least 50 years or so that we've been actually

experiencing a significant number of younger students coming

directly from schools into UNISA, but what we've been doing

simultaneously which is something that you might have observed is

that because of that change we have then begun to see a need of

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investing in our own regional centres. Because we are saying that

the younger students actually require those facilities more than the

mature students. That is why we are now under pressure, I mean I

remember there was a time when I was interviewed and the

journalist said how is it possible that there was a strike? I said well,

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things have changed. Well they were saying we didn't expect you to

have students. I said, well go to all our campuses, we do have

students. But it's because we provide these facilities so that

students can actually have an environment that is conducive to

studying and also submitting their study material.

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FEMR ZULU: If I may, Professor.

PROF MAKHANYA: Yes.

FEMR ZULU: If I can go back a slide or so back with the heading

"NSFAS Funding for age category". Now the figures there, the first

of 35 to 39 and the next for 40 and over, are you with me? I see the

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percentages there are much lower than at least 34 and under.

PROF MAKHANYA: Yes.

FEMR ZULU: Now is that on the assumption that those students are working students given the age and so they would be able to pay ...[intervenes]

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PROF MAKHANYA: That is[intervenes]

FEMR ZULU: ...and NSFAS would not necessarily cover the...

PROF MAKHANYA: It's mainly correct, but in the past you will find that we didn't have anyone who will not afford to pay but what has been happening is that the number is actually been rising of those who also qualify but cannot unfortunately access the same funding because of the number of students actually who are looking for that kind of funding. So you find that the numbers actually were as in the past all of them who qualified would simply just walk in just like that. It has actually been changing but what we've been doing simultaneously from the side of the university is that the council has been agreeing to vote in some resources as a backup to this funding. So it's been happening over the last number of years already but because of the numbers in our case you find that when we talk about having put an injection of 100 million, in the bigger scheme of things it appears like it is so insignificant because of numbers. But we find that those who then succeed to come on board is actually a decent number because the cost of higher education in our case is far lower because of the nature of our operation.

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FEMR ZULU: Sorry, Professor, then would that also translate to fees? Because your costs are much lower so if you compare then your fees to your normal traditional contact institution, would we see a dramatic difference?

PROF MAKHANYA: It's actually a huge difference across the board at under-graduate level but when it comes to post-graduate studies you'll find that it is not far off the mark in terms of the relationship. This is mainly as a result of the fact that at post-graduate level we are funded at the same level, but at an under-graduate level as a university we are funded at 50% of operations compared to contact and residential universities.

FEMR ZULU: Because of the cost structures and the effect thereof that we've just described?

PROF MAKHANYA: Absolutely. Absolutely correct. And then, Chairperson and members of the Commission, if I may then continue that in terms of our own growth, in terms of enrolments that we are in that category of strong growth that has actually been interesting. Because ...[intervenes]

CHAIRPERSON: I'm sorry, Professor. I look at these tables, figure 1 in Table 3 and there are so many acronyms that mean nothing to me, that it's a bit difficult to do any sort of comparison. I can guess at some of them, for example UKOU I take it means United Kingdom Open University.

MR MAKHANYA: Yes.

CHAIRPERSON: But I don't understand a great many other of

these acronyms and I don't know what IGNOU is. Perhaps you could tell me.

MR MAKHANYA: IGNOU is Indira Gandhi National Open University. So sorry, Chairperson and members of the Commission. IGNOU is Indira Gandhi National Open University. 5

CHAIRPERSON: And that accounts for the huge numbers then?

MR MAKHANYA: Yes.

CHAIRPERSON: Yes.

MR MAKHANYA: Yes.

CHAIRPERSON: Yes, I see and KNOU? 10

MR MAKHANYA: That's the Korea National ...[intervenes]

CHAIRPERSON: I see.

MR MAKHANYA: ...Open University, Chairperson.

CHAIRPERSON: Because although there are footnotes to these ...[intervenes] 15

MR MAKHANYA: Yes.

CHAIRPERSON: ...the footnotes don't appear on my copy. So I can't align the footnotes. I'm ...[intervenes]

MR MAKHANYA: We apologise on that one, Chairperson and members of the Commission. 20

CHAIRPERSON: Is it USQ?

MR MAKHANYA: University of Southern Queensland in Australia.

CHAIRPERSON: Southern Queensland.

MR MAKHANYA: Yes.

CHAIRPERSON: I see. Alright, well and what are ANADOLO and 25

CROTON?

MS GRIESEL: [Indistinct, 01:31:48] I just need to check because our footnotes are also – this is just a sample. If we can verify that we will appreciate, we will verify all the acronyms.

CHAIRPERSON: It may be totally unnecessary but at least we may as well what has common strong growth with UNISA. What is WGU? 5

MR MAKHANYA: It's – that one is Wawasan.

CHAIRPERSON: I beg your pardon?

MR MAKHANYA: Wawasan. 10

CHAIRPERSON: What is that?

MR MAKHANYA: It's a name of the university, Chairperson and members of the Commission. That one is in New Zealand. Yes. Because ...[intervenes]

CHAIRPERSON: And ...[intervenes] 15

MR MAKHANYA: ...many countries now do have these open universities. So it's actually a trend currently ...[intervenes]

CHAIRPERSON: Yes, I see.

MR MAKHANYA: ...because countries have begun to realise that in order to meet the demands of enrolling a significant number of students at high education level that you need that as a backing. 20

CHAIRPERSON: Yes, I understand and OUSL is fairly obvious, what is OUC?

MR MAKHANYA: OUC is the Open University of China.

CHAIRPERSON: China. I see, thank you. And what is it that has 25

shown a dramatic decline? OUP or UOP I beg your pardon.

MR MAKHANYA: That's the Open University of the Pacific.

CHAIRPERSON: I see.

MR MAKHANYA: Yes.

CHAIRPERSON: Alright. And lastly the one that's shown the
dramatic growth, SNHU? What is that? 5

MR MAKHANYA: That's the one in Hong Kong because they have
had an advantage of a significant injection of resources. So the
expansion in their case has actually been moving in the right
direction. 10

CHAIRPERSON: I see. Thank you. That – I just wanted some sort
of comparable material. That helps a bit, thank you.

MR MAKHANYA: No, thank you, Chairperson. So and then the
next one in terms of performance that as a university we are actually
at 25%. So which means that we have room in order to improve in
that area, Chairperson and members of the Commission. 15

CHAIRPERSON: I'm sorry, Professor. Which table are we on now?
Figure 2 is it? Thank you.

MS GRIESEL: We are – Chairperson, we are at Figure 2, the
performance ...[intervenes] 20

CHAIRPERSON: Thank you.

MS GRIESEL: ...in relation to all the, to the industry.

CHAIRPERSON: Yes, I see. [Indistinct, 01:34:26]

MR MAKHANYA: Ja absolutely. Absolutely, but I want to mention,
Chairperson and members of the Commission, that the difference in 25

fact between ourselves and a large proportion of these open distance universities is that we are operating largely with a significant and comprehensive proportion of university education generally while in their case they choose smaller entities that they focus on. So you'll find that generally they will for instance go for education, economic and management sciences and then that will basically be their own points of strength and you'll find that the other areas they are not worried about at all and then they run largely also programs on the short learning program areas and so on. Whereas in our case we are virtually at all levels except areas such as medicine and architecture. So they always ask these kinds of questions to say but how do you operate even an area of science, engineering and technology without realising that in our case we operate in that kind of fashion because of the relationship that we've always had with the sector generally in the country. Because our students actually access laboratory facilities in our universities wherever we are, we have collaboration agreements in other countries. We have students everywhere. But what we are then seeing in the context of growing our own operation in science, engineering and technology that we are to establish our own facilities because in that area students actually require to work all the time with their own supervisors.

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CHAIRPERSON: ...telling me suggests that these tables don't necessarily compare apples with apples.

MR MAKHANYA: Chairperson and members of the Commission,

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not necessarily but I think the part that for us is critical is that it is important for us to begin saying regardless of what differentiates us it is important for us to begin thinking of performance in the scale where others are. Because if they can naturally manage to reach that point then it means that we can't cry foul and say because we are an open distance learning university so it does not matter if we are operating at this level. Because we are saying we are lower so we want to actually aspire to move in that direction. So we want to increase our success and throughput rates so that we can actually operate comparatively speaking with those that are actually on the higher levels of [Indistinct, 01:37:12] and so on. So it is important insofar as that particular part of the comparison is concerned, Chairperson and members of the Commission.

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CHAIRPERSON: Well, yes. I'm not really sure that this can possibly be understood without knowing what the particular characteristics of each of these universities is by comparison with yours but anyway, do go on please.

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MR MAKHANYA: Yes, thank you, Chairperson and members of the Commission. I think we are disadvantaged also by the fact that we are the only dedicated comprehensive and open distance learning institution in the country. So when we compare we can only compare with those outside the borders of the country whereas it will have been easier to compare with our own peers internally. Chairperson and members of the Commission, on the financial position that I'll just talk about that we actually have been stable for

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quite some time as an institution but with the developments around the markets we've seen that with the 2015 we actually registered a deficit. This was linked mainly on the fair value adjustment and we are saying to ourselves that much as that may be the case it actually requires some kind of a scrutiny and some kind of consciousness that would ensure that even if that is beyond our control, if we actually improve at other levels of ensuring that outputs are consistently on the growing and rising trajectory we can in a way prevent that from hurting us. Because we are saying that it's important to do that. We've see that for instance this year there's a huge improvement but of course there's a huge improvement in the markets currently which is actually registering a positive side of things. And then on the scenario analysis that we were looking, Chair and members of the Commission, that let's look at the possible three scenarios in this instance looking into the new year with a zero fee increase coupled with insourcing. We are saying that looking at our own resources in the current that we'll end up with a deficit of about 504 million. When we look at scenario 2 with a 6% fee increase that is actually coupled with insourcing that we'll be looking at a reduced deficit of around 228 million. But then when we looked at scenario 3 we'll actually be focusing on the differentiated model that we can actually then reduce the deficit significantly to 183 million. Because we are saying that considering the reality that is currently unfolding it's highly unlikely that once the discussions that are underway with our student leaders are concluded that we'd

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be at a particular level. So much as we are looking at the future where we're talking about the possible increase, what happens if we don't succeed in moving in a particular direction. So we need to be cognisant of the reality that can actually be reality in our case.

MR ZULU: Sorry, Prof. Scenario 3 differentiated fee, I understand the 6% and 0%. When you say differentiated fee, perhaps you should explain to me what that means.

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MR MAKHANYA: Yes. Thank you, Advocate. I think that I would be requesting the chief financial officer to speak to this point because he's the one who's always playing with these numbers. Not necessarily playing in real sense to our disadvantage but playing in a positive sense for our own sustainability.

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MR ZWANE: Thank you, Chair and members. We were actually trying to deal with these three categories that emanated from the ministerial announcement which we still, it's actually, I must confess, is still work in progress. However also we're trying to differentiate the CPI projections for the next five years because as VC said earlier we're planning over a five year planning cycle. So as we look at the deficit now that we're projecting for 2017 we, although it's a deficit we still see it as a sustainable option because over a five year period in 2018 we have worked out that the trajectory will change for a surplus, marginal surplus over the period. So we differentiate that in that way that we are expecting differentiated CPI rates for the planning cycle of five years but also we are attempting to incorporate the three categories that came through the ministerial

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announcement mainly. So that's, as I say, that's still a work in progress, Chairperson and members.

MR ZULU: Thank you.

MR MAKHANYA: Thank you. Thank you very much, Chairperson and members of the Commission. We now would be moving to the fee increase. The reality of ensuring that we continue to offer quality education saying that as a university we need to retain the academic talent. We need to work very hard in the area of ensuring that we have relevant and quality curriculum because students vote on their feet. But simultaneously that we need to address the question of the dropout rates because in the sector it is high. In our case it's actually even worse. So what we have to address is ensuring that we succeed to curb it, particularly at the point of entry because that's where actually we lose a huge number of students and we are saying that that happens as a result of the transition from what students actually are experienced about and what higher education requires. So the extent to which the support base is not strong you find that you lose students at that level and we are arguing that if we don't address that it's actually coming at a cost because there's a capital injection that is happening. So if we improve in reducing that area then it actually puts us in a good stead as a university in the sector.

CHAIRPERSON: May I just ask you something? [Indistinct, 01:44:33]

MR MAKHANYA: The dropout rates, Chairperson and members of

the Commission, are available. So we can, Chairperson
...[intervenes]

CHAIRPERSON: If you could just tell me how does UNISA shape
within the sector, as you call it, which I take it means all open
universities. 5

MR MAKHANYA: Among all open universities, Chairperson and
members of the Commission, we actually are trailing slightly behind
the Open University of the UK as well as universities such as Indira
Gandhi but we are actually operating and succeeding far higher than
the majority of other universities. They're arguing that it's mainly as 10
a result of the fact that in our case we've been making these
significant inroads in increasing the numbers that are supporting
students which is actually cooperatively speaking far different from
what we used to have in the past. The students as they enrol at this
day and age, you just get the information that says that if you are 15
going to do this particular course you have this particular e-tutor that
is going to be supporting you. These are the contact details, you
can reach this person all the time whenever you need the person. If
you live in this area this is a tutor that will actually be catering for
your, if you want the face to face opportunity and so on. And then 20
your teaching members of staff we have those that are operating at
senior level, your professoriate, but we've also been growing our
own timber where we've been investing over and above what we are
getting as a support from the side of the Department of Higher
Education and Training to ensure that we actually keep those who 25

are doing very well in order to bring them into the academia. Because we are saying that we can't cry foul of not having people while we are saying we are actually training them. So we have that particular category. What we do, Chairperson and members of the Commission, which is fairly significant, is that over the last three years we've introduced a new program that we argue is an accelerated development program of academics. When you enrol for a Masters program and you've succeeded to take your own proposal you can actually apply and we release you from teaching to go and study full-time and you get your salary but at a Masters level we say if you are going to succeed to do it within this timeframe which is actually currently three years, we are prepared to release you. But if you don't finish in three years then you are bound to return but we continue supporting them. But we release them at the point where we know that they've succeeded with a proposal because we know that now they are on track to make the progress. At a doctoral level we do the same and we say that we are prepared to release them for a period that can go up to five years. But during that period we then bring in those who can serve on a temporary basis so that students don't suffer during that period. It's fairly new but we are seeing the results of that investment which is actually something that at least is making us to be comfortable. But of course I can't say that, Chairperson and members of the Commission, about the students because we need to explain ourselves clearly on that so the students do not say I was looking for

this professor and I've not been succeeding to get her or him because once we release them we basically say they want, they must be focused on their studies because we are actually investing in them as an institution. And then, Chairperson, on the policy analysis then of fee free education in our country, we just want to say that it is a constitutional imperative that you spell out in those terms where we must actually make from the side of the state education available and accessible. You know, available the system must grow to provide sufficient spaces for study, but also accessible as well in tandem with accessibility, affordability. From the side then of the work that, Chairperson and members of the Commission, you are doing we actually want to acknowledge that we have this opportunity of presenting ourselves, initially from our own body, University of South Africa, the treasury university and the entire sector that will actually be getting this opportunity. For us it's a significant opportunity in our country. And then to conclude ...[intervenes]

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CHAIRPERSON: May I just ask, today in the present environment must anybody who wishes to enrol at and study through UNISA be computer literate?

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MR MAKHANYA: Chairperson and members of the Commission, we expect that because we have even introduced an interesting arrangement that even enrolling at the university that they must do that themselves wherever they are. If they can't do that on their own then they go to our facilities. They get our own members of staff

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who assist them to enrol online. The good thing that we do is that we provide staff members to train our students because we say we know that at a point of entry they may not know, they may be scared of doing it, but we actually say it's important for them to get that experience because when they start studying we are saying in the past we've been troubled where you find that we are relying largely on the South Africa Postal Service. When there are strikes students would not receive their assignments.

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CHAIRPERSON: No that I understand.

MR MAKHANYA: So we said in order to obviate the problem submit your assignments online ...[intervenes]

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CHAIRPERSON: Yes. No I ...[intervenes]

MR MAKHANYA: So then we give them that opportunity, Chairperson and members of the Commission.

CHAIRPERSON: So that means that every student must have access to a computer and to the internet?

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MR MAKHANYA: Well that's actually what we do, Chairperson, but we are cognisant of the reality where you find a significant proportion of our population do not have that kind of access. That is why ...[intervenes]

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CHAIRPERSON: Well that is why I asked the question, yes.

MR MAKHANYA: That is why, Chairperson, you'll find that even if we are moving in that direction we are saying we can't do so in excluding those that don't have that kind of access. So we still receive those assignments, but then we actually transform them to be

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online so that they can be marked online in order for us to have proper records before we can then send them back to the students. But we are saying that as we move into the future we want to reduce our investments on paper so that we can interact directly online with those students. We are saying this largely informed by the fact that our recent research has actually given us the indication that a significant percentage of our students have access to the mobile phones and we are saying that mobile technology actually can go a long way in us actually ensuring that students make use of it for purposes of their own studies. So currently what we do, we interact with them via the same mode when we are, for instance, informing them about the requirements that they have to actually pursue insofar as their assignments are concerned. If there's particular changes that are happening, if there are particular delays that are happening with their work and so on, they know that they should be expecting correspondence from us as a university that we are doing currently. But the future, Chairperson and members of the Commission, is where we want to make sure that our students have access in a manner that we have begun to experience with our own facilities, where they go to our own centres, even if they don't have their own and do assignments there and submit them directly. Because at the click of a button the lecturer receives the assignment, corresponds with the student and so on. Now we introduced another technology in the last two years that we refer to as a Digiband technology. We use that technology in a manner where students who don't necessarily

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have access to facilities can actually work offline wherever they are just carry this Digiband. Once they reach our facilities they simply just connect it in one of the computers and it downloads the entire material and then they can start communicating with us. We started in a small scale and we are saying to ourselves that it's actually working very well at that level. So we want to move to scale as we move into the future because we are saying that that's the only way in which you can actually bring the majority of students who are operating on the margins at this point in time.

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CHAIRPERSON: Thank you.

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MR MAKHANYA: And then finally, Chair, to conclude that we just want to argue that long-term fee free education is unsustainable if we don't see it in the context where we agree that we have to inject the necessary resources so that we are guaranteed a [Indistinct, 01:54:18] future and that if we don't move in that direction that as universities we'll be at risk unless or treasury is willing to support us. So from our side that scenario 3 we feel that it's going to take us forward in the circumstances that are currently at play because we must reduce our costs. We must contain them and then also increase our operation at the level of alternative income streams. And then we are saying that short-term to medium-term, once we've experienced the sustainability then we are saying the future is bright. Thank you so much, Chair and members of the Commission.

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FEMR ZULU: Just one, just one, Chair. Just one more. What is the percentage of foreign students enrolled with UNISA compared to

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South African citizens?

MR MAKHANYA: Thank you very much, Chairperson. Currently the percentage is more or less 10%. We are still significantly a South African university although I mean 10% in our case is fairly significant in terms of numbers because we are talking about in excess of 15, 16 000 students.

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FEMR ZULU: And do you find that those students, the foreign students, the 10 percentile is based in the country or they're correspondent or do the e-learning from their countries or whatever?

MR MAKHANYA: They basically e-learn from wherever they are and they take exams from wherever they are. Our exam centres are basically across the globe. It's actually fairly costly as well in the sense that in areas where you find that we are fewer numbers it doesn't change the cost of paying our facilities there for students to have access to write exams because we have to hire those who have to also ensure the security so the students actually can do the work in an ethical kind of manner and so on. We are assisted, by the way, largely in many areas by our own embassies where we have fewer numbers. But where we have significant numbers like in countries like the United Kingdom, we find that we have no choice but to hire facilities the way in which we do it in South Africa.

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FEMR ZULU: Sorry, do the fees differ then? Do you charge higher in respect of foreign students, the tuition fee?

MR MAKHANYA: Thank you so much, Chairperson and members of the Commission. We do charge a levy from the foreign students.

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We are very clear that when we talk about foreign students we are not including those from the side of sub-Saharan Africa. Those ones we are charging them the same fees that we are charging South African students. Thank you so much, Chairperson. Thank you ...[intervenes].

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MR ZULU: Thank you.

CHAIRPERSON: [Indistinct, 01:57:44] tea adjournment.

MR ZULU: We're going to take the tea adjournment.

CHAIRPERSON: We adjourn.

HEARING ADJOURNS

HEARING RESUMES

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PROF MORGAN: ...is Nicky Morgan. I am the acting vice-chancellor at the university.

CHAIRPERSON: I thought we had a representation from Mr Burger. [Indistinct, 00:00:10]

PROF MORGAN: Burger and Professor Loots. I think those are the people who also came to make an input.

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CHAIRPERSON: Phillipe[?] Burger?

PROF MORGAN: Ja, Phillipe[?]. He's an economist.

CHAIRPERSON: Yes, that's right. [Indistinct, 00:00:35]

PROF MORGAN: We can't have different arguments.

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CHAIRPERSON: [Indistinct, 00:00:40] because we have only the odd pages and so we will only be listening to the even pages.

PROF MORGAN: Today.

CHAIRPERSON: So in fact I think you must assume we haven't got anything at all and we will dimply proceed on the basis of what you

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tell us and what we see on the screen in front of us and we, for the moment we will ignore what Mr Burger's submission says.

PROF MORGAN: In fact, Chairperson, I don't think that Mr Burger, Professor Burger came here as a representative of the university. He came here with his own expertise and ...[intervenes] 5

CHAIRPERSON: That's why I suggested to you that you can have different ...[intervenes]

PROF MORGAN: Thank you.

CHAIRPERSON: ...views. Thank you. Yes but he hasn't come in fact. We haven't seen him. We only have his written submission. So you don't know where he is? 10

PROF MORGAN: He's a Fulbright Scholar now for the next five months.

CHAIRPERSON: So he's in the United States?

PROF MORGAN: He's in the USA. 15

CHAIRPERSON: There you are. I just hope he's doing it all on the same page there however. Mr Morgan, would you go ahead with your presentation and bear with us if we have questions that we wish to put to you.

PROF MORGAN: I hope I will be in a position to answer all those questions. 20

CHAIRPERSON: Thank you.

PROF MORGAN: I think it's important for me just to sketch some background because we, in the last couple of days, especially since the minister's announcement, we have had a number of 25

engagements across the university community and in fact yesterday we had a budget summit to locate the decision of the minister in the context of the university funding so that we're all on the same page. Academic management, students, unions and so on. So I'm quite happy that we're on that route so that everybody understands the implications of the decision. I know it is not the purpose of this commission to assess, make any judgment on the decision of the minister, but he, it does impact on us. We at the university support a pro-poor – must I move with this thing? Ja. We support a pro-poor fee policy and I don't think anyone at the university will disagree with that because we have driven throughout the last so many years a pro-poor fee structure. I will indicate later on with, by way of a slide how our fees differ from many of the universities in the same category. That is now the North West University, the UJ and so on. Our entire practice of managing student funds is geared to make sure that the persons with the least financial means can get registered. That's why we also have a provisional registration approach that allows students to register without having paid any registration fees. So even that is a matter that we address as part of our business. We are concerned of course about the fact that we have to carry, we have to carry in a sense a disproportionate burden when it comes to the access to higher education because a significant amount of money from the university itself goes into student funding. Let me go to this next one. I also need to mention that because we are concerned about the total student, not just the

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student who comes to enrol, we have programs in our residencies and even for day university students to participate in our no student hungry project and I think most people know it by now because it's a unique project that we have launched a couple of years ago when Jonathan Jansen took over as vice-chancellor. As I said 47% of our students receive financial aid outside of the NS Fund and we ourselves as university we have contributed R48 million to support students. In addition to that which I didn't mention here when there was uncertainty last year about the NSFAS payments we put in another R55 million to support and we had no guarantee that NSFAS would pay us back. At the moment we haven't received the 55 million back but I'm sure there are processes on the way to address that. One of the –

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MR ZULU: Sorry, Prof.

PROF MORGAN: Yes.

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MR ZULU: Perhaps we can get some clarity. Circular 6 I think it is deals with three different areas in relation to the funding and the last part is what NSFAS say is there's engagement and debate about and if memory serves me right, the first two parts NSFAS says has been paid out. So when you indicate that you're still awaiting funding for that gap that NSFAS had can you explain to us which one you were talking about?

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PROF MORGAN: Look, you will recall there was a call on universities to help enrol all students who are eligible and qualify and that is what we did and that's after we had already enrolled

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more students than we needed who could qualify. We then put aside another R55 million of university funds. In fact what we then decided is we will have it administered by NSFAS on our behalf because we did not want to become embroiled in all sorts of administration. So that's the amount that we still need to sort out. 5

CHAIRPERSON: [Indistinct, 00:08:26] you talk about this as a historical debt. When was this debt incurred and how long has it been outstanding?

PROF MORGAN: Well it's just now when we had all of these hashtag protests and the department said please assist us by enrolling students ...[intervenes] 10

MR ZULU: This is October 2015.

PROF MORGAN: Yes.

CHAIRPERSON: Thank you.

PROF MORGAN: Another issue we need to mention is that the Qwaqwa campus itself came with all its own legacies. It was not an equal campus in many ways, student accommodation and a whole range of things that relates to the old and there has been no redress provided for many of the HDIs, that's Walter Sisulu and anybody else, they have to and no real redress for them. As an institution we've been investing a great deal in our Qwaqwa campus but for a long time we've had a differential fee for the Qwaqwa students so that they don't pay the same fee as the students out at Bloemfontein. In fact we are very happy with the progress there. We've got a couple of rated scholars out there and it's blooming and 15
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the students are certainly now part of the university where they felt in the past they're not. But it was done at ...[intervenes]

MR ZULU: Sorry, Prof. Just on that differentiated fee at Qwaqwa as opposed to Free State in Bloemfontein, would you – does it mean that for the same course that you pay in Bloemfontein you would pay less at Qwaqwa?

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PROF MORGAN: That indeed was the case and it was done deliberately. Most of our Qwaqwa students are students who come from poor communities. We attract quite a number of students from Kwazulu Natal, northern Kwazulu Natal and so it was necessary for the university to do so. Even in infrastructure, when you visit that campus now you will see a completely different campus and the spirit of the students are also one where they feel that there is a university that's caring for them. You must remember also our staff members who taught there also needed to get support because without support they would not turn around the university.

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CHAIRPERSON: May I just ask something about the first slide? You speak about 47% of the students obtaining financial assistance other than from NSFAS and government. What does obtaining financial assistance mean? Does that mean, does that include the parents who don't, who pay the student funds?

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PROF MORGAN: It includes parents who pay ...[intervenes]

CHAIRPERSON: I see.

PROF MORGAN: ...but it also includes bursaries that have money that has been raised by the office of the vice-chancellor over the

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years. He has been very active in moving around to seek funds.

CHAIRPERSON: So it means effectively those people who support themselves through their parents and those people who are supported by grants from, from industry for example ...[intervenes]

PROF MORGAN: Ja. 5

CHAIRPERSON: ...and any third party source of funds which supports students.

PROF MORGAN: Yes we actually believe that we have become more and more dependent on the additional funds because NSFAS did not cover everyone for two reasons. One is that not all of them qualified. They're part of the missing middle and ja, and that's essentially the reason I think why ...[intervenes] 10

CHAIRPERSON: I understand, thank you.

PROF MORGAN: The financial sustainability of the university is also dependent on growing, there's a growing ...[intervenes] 15

MR ZULU: Sorry, Prof.

PROF MORGAN: Yes.

MR ZULU: Have we been able to move forward with our slides also? I think that, yes.

PROF MORGAN: I'm so sorry. 20

MR ZULU: Thank you.

PROF MORGAN: I've got to get used to this. Ja, we emphasise the issue of tuition fees more and more at the university because, I'm sorry about that peer institutions, it's a – I should've corrected that. The university has a very low fee structure and maybe I should 25

just quickly show that. For qualifications that other universities would offer for example medicine, we are 18% cheaper in our fees, more affordable. In humanities we are 37% lower than our peer institutions. So our baseline for any fee increase, if you put 10% up on our fees compared to 7% or 5% at UCT, our students will still pay less.

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CHAIRPERSON: I don't really mind why you do it because I can see why you do it and you've mentioned why you do it, but how do you do it?

PROF MORGAN: Well we have, in terms of our budgets and I'll go back to, down when we get to the other slides, you will see that we actually maintain a pretty conservative budget framework. Our salaries, when we go out our mandate in our negotiation is not to go beyond 53% of the income. It's income based. So we got X amount this year, only 53% can go into salaries and increased numbers of staff and so on. It's – and it has worked. It's already a language that is understood by all the stakeholders. So much so that last year when we decided on salary increases we could only afford 4%. All the other institutions awarded 7 up to 9% increase. Our staff members got 4%. It's because we understood that the model we use is based on the income we receive.

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CHAIRPERSON: And it's not because the cost of living is lower in Bloemfontein?

PROF MORGAN: Not at all. Not at all. I think some things when you bring them, import them from Johannesburg they get an added

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cost to it. Ja. So you can see, Chairperson and Commissioners, that compared to Pretoria, Wits, North West, Kwazulu Natal and Stellenbosch, we are really offering a suite of qualifications at a much, much more lower cost. So the first point we want to make is we have a low fee base. Second point, we're in a region where we don't have big industries that can support us, unlike Johannesburg and other places. For us it's important as a university to make sure that we support our strategic pillars and make sure that that is always covered. Now ICT and those other costs that you by now will know, our institutions are locked into more and more licensing arrangements and so on over which they have no control. So we invest quite a bit of money in ICT, library resources, to make sure that we have, that the standard of offerings remain a priority for us. We've got buildings that are 100 years old, 90 years old, it's a big, it's an old university and we also have to deal with the maintenance of those buildings and they're not always the easiest to deal with because sometimes you have to comply with requirements from the Heritage Commission. As a university we have grown significantly. We have added in the last four years we've added six, five residencies and our residencies I must also add must break even. We don't subsidise our residencies and how we do it is during the vacations we accommodate big conferences and events and that income we use to support the residencies. Now last year students argued that they don't want to go home during the vacs and we said we need the rooms during the vacs because it's the only way we can

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make sure that you have an affordable res fee. That's a battle we have not won at all. So much so that R17 million must now be added to the res budget this year. So that's part of the no fee debates and resistance that we have had, but the truth is that we still try to run the residencies without having to be a burden on the university. We also have in terms of our learning technology we need new and additional spaces for the new learning platforms, blackboard and all the other and if we don't get the money then we can support those environment. We're like other institutions who also have the challenge with insourcing. Now we've been very careful not to rush it and therefore instead of rushing into insourcing we were the first university to agree to pay a decent wage towards a decent wage and that cost us a couple of million Rands but we accepted culpability when it came to the kind of wage levels that people were earning. As a university we couldn't escape it because in the past some people have been retrenched and while others have not been. Those how have remained with the university and those left and came back to work under outsourced companies came from the same village or township, came to the same workplace, did the same work day in and day out for 22 years and the one gets half of the other without any benefits. So our quest is to make sure that we, in our discussions now with the, about insourcing is that we make sure that there is a decent wage, some provident fund and some medical aid. Now if we are not funded at the level where we need to be funded we will not be able to achieve those goals.

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Because insourcing in itself would normally add about 130, about 130% in the total cost but we are optimistic, Chairperson, that we will finalise our insourcing and in cases where we don't insource, if we do we'll make sure that the university commits to sub vent whatever that service provider charges up to the level of the agreed 5
decent wage. That's what we are doing right now. We have six faculties and they are covered by the following, it's humanities, natural agricultural sciences, medicine which is a very expensive teaching area. In fact our salary, if we express our salaries against income, medicine accounts for about 6% above the 53%. So when 10
we take the 53%, when we make a judgment about the percentage of income versus salaries, we would normally tell ourselves 6% is accounted for by medicine. Then we can talk about the rest of our salaries. We also want to broaden our offerings in agricultural sciences by offering agricultural engineering. We've already had 15
discussions with the department but again we won't be able to do that unless we get funds. Our South campus play an important role. That is our gateway campus. A whole lot of programs, lifelong learning programs are driven from that site. There are also, we have also our university preparation program there. So we get quite a 20
number of students who are prepared in that one year in the UPP to join the mainstream programs at the main campus. I should say the Bloemfontein campus, not the main campus. So that is a very important gateway for us given the fact that we can't always choose our clay when they come from the schools because the clay is, we 25

need to work the clay first before we can get them into the normal mainstream courses. So that's – and we don't get any subsidies for that effort. I believe from next year we will.

CHAIRPERSON: I see you don't have a faculty of music or you do have a faculty of music, I know that, but does that come under humanities? 5

PROF MORGAN: Ja. They're covered under –

CHAIRPERSON: I see.

PROF MORGAN: Yes.

CHAIRPERSON: Thank you. 10

PROF MORGAN: And art as well. Thank you. Now just a comment about the 2016 subvention we received from government. We were at the point of implementing an 8.3 salary, sorry, fee increase when the no fee increase campaign started and we normally determine our student fee increase two years ahead. So for example for, in 2015 we would have negotiated fees for 2017. The 8.3 was negotiated in 2014. Now we do this, it's been done every year because we also know that there's a two year time lag with the subsidies. So we can then make a clear distinction between where we will be given the fact that if in 2014 we had X number of students we will know the subsidy would be so much and we can then, in our presentation to the students, give them a more accurate account of the implications. Now we didn't get the 8.3% on a low base and I think it's very important to repeat that often. We got 6.7%. So we actually slipped further back in terms of our fees. We 15 20 25

have a very, we emphasise our sustainability at the university. We want to make sure that we have the right size and shape. We want to make sure that we have the control over our operational budgets. We want to make sure at all times that our support services don't become a burden to the university. We have a viability model that can tell us whether a unit is contributing net plusses or negatively to the university's income. We also have a workload model to make sure that everybody, everybody's workload is properly defined in the areas of core business, teaching, research and that helps us also to address the contributions by individual staff members. Now this is a snapshot of the university's finances and if we have a zero fee increase - let me just see if I can go down, I'm sorry. Maybe I should just start by pointing out that the income growth with a zero increase for us would be a minus income growth. In 2016 we had a positive income growth of 7.2 and you will see that tuition fees is a major category. It's 44% of our income. So it used to be in the 30s, now it's growing. Some institutions I know are very dependent on their fees and have moved up beyond 45%. So that's rather problematic if the bulk of your students are students who cannot pay. I know that there is an interest in other income, third stream income. I think there is something that needs to be clarified. Third stream income is not sustainable. It's not automatic recurrent income. They're largely just moments of fortune for an institution. They're not really and you can't build your planning, long term planning on third stream income. Our staff remuneration, if you take what I mentioned earlier on about

the 6% of the medical school into account, you see the 61.28% minus 6% will give you more or less within the range that the minister requires us to keep our finances. The, I don't know if there's anything you want to ask about it. No? Now we believe a zero fee adjustment of course is an impossibility. We just can't manage and won't be able to manage. We can't repeat the 4% increase that we have given last year. In fact with 0% we'll have a 0 salary increase. Sorry. We can't expand our staff and worst of all we will not have vacancies even for diversity. Our decision last year was that there will be no increases in the budget for operational expenditure and it seems to me as if this year we'll probably have the same. In fact we may even have to introduce other measures by imposing load shedding ...[intervenes]

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MALE SPEAKER 2: Sorry, Professor, can you move your slide because ...[intervenes]

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PROF MORGAN: I'm so sorry. Sorry. Ja. Well – where are we now? Anyway I've gone past that. Daar's hy. I should just go back here. You've seen there the growth in income of 7.2% in red versus the point, the negative .8% that I referred to earlier and also the percentage of remuneration of 61.28 to on, to earlier on is also reflected there.

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MR ZULU: While you're there, Prof, you indicate, this could be a different percentage as indicated by you as being 53% of the total budget, but here you are talking rather of a percentage of the income.

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PROF MORGAN: Well it's ...[intervenes]

MR ZULU: Is that why you have the difference.

PROF MORGAN: No. It's, actually it's percentage of income. We take only 53% of the income of that year, not of total budget because if it's total budget it'll be much, much more. You'll see further down where we have a deficit before income we also then use investment income to level and if we had a surplus in the previous year we carry it over and that also helps to balance the books. So you will see a significant amount of money that R107 million projected for 2017 and the R96.3 million committed in 2016.

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MR ZULU: No the only clarification I was seeking, in your presentation you indicated your university has been trying to keep salaries within 53%. Government you have in their budgets are told maximum 62%. Now there's no 53% reflected in your presentation in this slide. So I was wondering where the different, why the difference in the percentage, 61.28% as opposed to what you indicated 53%.

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PROF MORGAN: Ja. The – in our own negotiation model with the universities, with the staff, we focus only on 53% of income. We do have departments with savings or sometimes even people who would need staff urgently and we make a concession for them to over spend and work it back into budget. So you will see that there will be sometimes a difference. Let me give an example. We expanded our teaching and learning support quite significantly. We've got 140 staff members in supporting students, they're different

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ranks, in supporting students for success. We've seen success growing at the university but we made that commitment because we knew that in our successes we will be funded by the department according to our outputs. So that was a calculated decision that we've made. We know that the 140 staff members can't be funded out of the teaching grant because it's not enough, but we know that our subsidy will grow if our throughput improves.

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MR ZULU: Thank you, Prof.

PROF MORGAN: Now the next slide really talks about some of the things that are difficult for – you know we've got administered prices like electricity. It went up by 27%. The municipality has also now joined those who want to tax the universities as if they are businesses. We went through a whole lot of litigation at the moment and appeals and so on and it seems to us as if there may be chance that we will not have to pay as if we are businesses, but that was the argument in the valuation. So we are confronted with increases that are outside of our control. That's why when we met with our students at the budget summit yesterday, I did mention that we had a budget summit yesterday, we pointed out all of these things and said so what will our menu of sacrifices be if we don't get the additional funding? You know, because we will have to do some sacrifices to survive. We might even have less money for bursaries. You've seen we've contributed quite significantly to the bursaries. Our library and information services are under pressure, research and – I mean when we import expensive equipment we are always

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subject to the exchange rates. So even when we planned quite in a disciplined way we end up paying 13, 14% more than the original amounts because of the changes in the exchange rates. In library expenses we also have to pay VAT when we never actually had to pay VAT on some of the services. We need to expand our infrastructure as I indicated earlier on. By the way, I can also say that we are proud that our residence infrastructure is a flagship in the whole country. We have a number of institutions who have visited us in fact even yesterday. They come with the department of higher education. Because we've done wonders with our interest in terms of just in time, within costs, with some elements of savings and it incorporates the extracurricular activities into the residence so there can be some teaching engagements and so on even in the residencies. The spaces we've created. And we did not spend more money. We are very much opposed to PPP arrangements. As a university we believe we can build it ourselves, manage it ourselves and we have got an asset life cycle system which helps us to maintain the assets, tell us what to do, what needs priority. So – and we don't need to get, to pay other people to do that for us. You will see we have got another slide on the finances and here I just want to point out to you that our picture changes quite drastically when we apply the – let me go straight to the last slide. I think that might be the best. Is that the next one? Ja and I don't waste time of the – alright. This is the situation when we take the 8% into account. Where am I now? That's it. You will see that when we get the 8%

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fee adjustment that our deficit would be R77 million. That is our situation now when we, when the proposals of the minister are implemented. Because our income will then grow to 2.9%. So that's, that also means that from a staff salary point of view we probably can only give them a 3% increase if we stick to this. Our investment income as I indicated will assist with R107 million. So it's – we are in trouble even with the 8%. But we believe that if we work with the students and the staff we could possibly reduce the deficit if we implement an austerity arrangement with some sacrifices. Our students are not concerned about our problem. They want access to social platforms. They want extended library hours. They want and all of these things cost money and we actually now believe that having shared with them our dilemma and we've seen the benefit actually, because yesterday the students were now a bit split because there are those who got the message and there are those who did not get the message and who are still bent, hell bent on disruption and so on. So on Facebook you will see the SRC president clearly indicating that they will not strike for fees, strike against the university but they will mobilise outside because that's where their funding challenges are. Now there is benefit and costs to higher education and I thought I – I'll put that on. Where is that one now? It doesn't look like I've got that one on your screen. But there are financial benefits, non-financial benefits in higher education that will benefit the country as a whole. I'll share this with you, but it's a higher chance of people getting work, unemployment

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will be less. You have a high chance of having people with savings that can contribute to the investment environment, higher mobility, people who earns consume more, better working, living standards, better health and all of those things. On the social side we have social cohesion, social mobility, all of those benefits of higher education. And we believe that most countries where you have free higher education you have a whole lot of benefits that go with the free higher education. So it is an investment ...[intervenes]

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CHAIRPERSON: That's all very well in a ...[intervenes]

PROF MORGAN: Pardon?

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CHAIRPERSON: That's all very well in a top first world country where you have a minimum unemployment.

PROF MORGAN: Ja.

CHAIRPERSON: But how does that apply here where you have higher unemployment and by producing more students who simply increase the unemployment?

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PROF MORGAN: Well I would rather be educated and unemployed than being uneducated and unemployed because the chance ...[intervenes]

CHAIRPERSON: Well that's a great consolation to the student.

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PROF MORGAN: No because, and this means also that I will be able to explore many more options than somebody who has no education. That is for me the one thing that we seem to miss. That's why we have this divide between TVET colleges and universities, as if that is that kind of education has got not value.

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We, I do believe that counties with a – when you have people who are educated you also have different approaches to conflict, to differences and so on. I do believe that clearly there must be benefits. Look, we have got, Chairperson, we have seen examples of countries where they have got free education but the challenge is how the free education gets converted into paybacks which is often the thing that we miss. The, if you look at countries such as Australia, I'm sure you have, all your researches must have looked at it, where they have, they've shifted over time but they've provided significant support for people to get educated, get a job and pay back and I think that is what we should look at, is as to enable people and then when they have a job and when they reach a certain threshold income they should be able to pay back and that money then becomes part and parcel of a pool of resources for the purposes of continued support and funding. When you look at the slide, I think the first one that you see there we have basically been looking and depending on subsidies and grants. We have also brought in NSFAS to provide loans as well as bursaries and we've had some parents who have made contributions. That has not worked all by itself. We need to have additional means of providing access to funding. I think what NSFAS is trying to do in conjunction with the financial sector is to create another avenue for funding. Not very popular because it essentially will be loans that must be repaid but I do think whether it is in the form of a loan from the government to be recovered via tax in future or whether it is in the form of a loan

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from a bank to be repaid later, it enables us to provide greater access to students to higher education and not only higher education to post-school education in general.

CHAIRPERSON: Have you any confidence that the students would accept such a solution? 5

PROF MORGAN: Look, the principle is, it should be that we first cater for the students who are poor. Don't lock them into loans, don't lock them into [Indistinct, 00:49:46] provide some means in some cases like NSFAS did. You've got a loan until you demonstrate that you're a serious student. If you pass we waive X% of your fees, of your loans. There has to be otherwise what will they do? But I don't think we can burden the poor with more loans without giving them a reasonable time to pay back when the person's capable of paying back. 10

CHAIRPERSON: [Indistinct, 00:50:24] 15

PROF MORGAN: Most of our students – sorry. Most of our students are also, or many of them are first generation and there are people waiting for them to complete and they then help their other siblings complete their qualifications. So there will have to be some accommodation for those particular needs before you demand repayment. 20

CHAIRPERSON: Well if you're going to compensate or rather if you're going to write-off loans by virtue of passes then that whole success rate will destroy the sustainability principle of the fund. You're not going to get to plough back into future generations that 25

you would need.

PROF MORGAN: This was an incentive I think that was built into the NSFAS scheme.

MR ZULU: Sorry, Prof, but that issue is more a write-off of a percentage of a loan ...[intervenes] 5

PROF MORGAN: Of a percentage.

MR ZULU: ...of the loan and not the whole of the loan.

PROF MORGAN: Yes. Yes, that's true. And I think that's the right approach, is to provide an incentive for people to get out of this system as soon as possible and therefore do well in their studies. 10
But, Chairperson, you're right. It can't be 100% but there must be an incentive for people to finish.

MR ZULU: But the Chairperson's point is still is that sustainable and that's the question that we need to ask going forward. That particular model is that sustainable going down? 15

PROF MORGAN: I don't think so. I don't think so. There will have to be a package of strategies. There can't just be one. It can be that plus a component of repayment so that at least there is an ongoing feedback into the system of resources needed for the next generation of learners. There has to be a combination. Private 20
sector must come in, for example and how you create incentives for private sector to come in is important.

CHAIRPERSON: [Indistinct, 00:53:10]

PROF MORGAN: I think the – many years ago we had a silly arrangement where people, where companies were paid to employ 25

workers in the homelands. So the focus of the companies then became how many names they can submit to the subsidy from the state. I don't think we must get into that kind of mood. There has to be a clearly defined benefit for the employer as well. So for example if there is a need for software engineers and it'll benefit the country then an agreement with companies about funding will be a very targeted approach that will enable students to participate and access education and at the same time serve the purposes of the industry.

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CHAIRPERSON: Thank you.

PROF MORGAN: I think I'm done.

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MR ZULU: Is that your presentation?

PROF MORGAN: Thank you.

CHAIRPERSON: Thank you very much. Do the evidence leaders have any questions?

MR ZULU: Thank you, Chair, we do not have questions from our side.

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CHAIRPERSON: Thank you very much, Professor Morgan.

PROF MORGAN: Thank you.

CHAIRPERSON: [Indistinct, 00:55:00] we are grateful for the hard work you've put in especially given the constraints of the last few days and it's likely that we may ask you for further input at a later stage when it actually positively becomes a question of where the money should be found.

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PROF MORGAN: Thank you.

CHAIRPERSON: In the meantime thank you very much.

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PROF MORGAN: Thank you very much, Chairperson and Commissioners. Thank you.

MR ZULU: Sorry, Mr Chair, the next, our last presenters I believe they are here. What I'm suggesting that perhaps they can do their presentation and then you can take the lunch break later and then you can, so that you can finish.

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CHAIRPERSON: Whatever suits you.

MR ZULU: I believe they are here, Mr Chair. Maybe we can just adjourn for 2 minutes, 2, 3 minutes.

CHAIRPERSON: Alright, can we take a 5 minute adjournment?

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MR ZULU: Yes. Thanks.

HEARING ADJOURNS

HEARING RESUMES

DR MALGAS: Good afternoon. Chairperson as well as Commissioners, I'm Dr Burton Malgas, the chairperson of APPETD which is the Association of Private Providers in Education, Training and Development.

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MR NAIDOO: Good afternoon, Chair and Commissioners. I'm Uven[?] Naidoo, I'm with a private institution called Richfield and I represent their chief strategy officer.

PROF LEWIS: Good afternoon, Chair and ladies and gentlemen. I'm Professor Adolph Lewis. I represent Educor, the Educor group with the different various brands of Lyceum, Intec and Damelin. Thank you.

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CHAIRPERSON: We have already had presentation from Richfield in its own name.

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MR NAIDOO: Yes, we have. When we approached the Private Providers Association they realised that a lot more [Indistinct, 00:01:20] could be put together if we banded together as a group and the presentation today is via the Private Providers Association.

CHAIRPERSON: Thank you. Who is doing the presentation? 5

DR MALGAS: The presentation will be shared between two of us, myself as well Mr Naidoo.

CHAIRPERSON: It's Mr Malgas is it?

DR MALGAS: Yes.

CHAIRPERSON: Thank you. Would you like to start? 10

DR MALGAS: Yes, thank you.

CHAIRPERSON: Dr Malgas, I beg your pardon. Yes.

DR MALGAS: Thank you, Chairperson. I'll just give you a bit of background with regard to APPETD. We are a non-profit company that looks at unifying support with regard to social economic and education processes that benefit the learners as well as the providers. Our core objectives and alignment is to do with quality assurance as well as accreditation and a lot of our time is also spent on advocacy and lobbying. Our secondary objectives include dissemination of information, we look at participating in platforms for legislation and commentary, capacity building, networking opportunities. We also have a secure, sorry, a surety scheme as well as we rely on our trust and reputation as an organisation in representing private providers in education and training. We lead the broader private education and training industry through 15 20 25

interaction with legislative authorities. We look at the development and empowerment of our members through effective sustainable organisations, informing and guiding members as well with regard to best educational institutional practices. As we also promote education and training as a professional career. We actually encourage members to be involved in education and professional practices. The impact of the private education looks at professionalism of the sector as well as quality education, protection of the sector interests as well as socioeconomic goals. Those are some of our members. As indicated we have two of them present today. Our national representation, we're on the National Skills authority. We're represented there. Our CEO is one of the deputy chairpersons as well as on EXCO. Education and Training Quality Assurance Committees, Higher Education Quality Committee as well. The QCTO, the Council for Trades and Occupations, Sector Education and Training Authority and CITAS[?]. We're also represented on CITA[?] boards as well as their committees. The South African Council for Educators, that's SACE, as well as the Society for Cooperative Education as well as the World Skills Steering Committee. Those are just some of the national representations that we have as an organisation. Our national member representation, most of our membership comes from Gauteng followed by the Western Cape and KZN and as you can see there's also smaller, the smaller representations are from the other provinces but the bulk of our membership is mainly from those

three provinces. Now I will hand you over to my colleague who will continue with the presentation.

CHAIRPERSON: Yes, thank you.

MR NAIDOO: Thank you, Dr Malgas.

CHAIRPERSON: Yes.

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MR NAIDOO: Well the main reason we got together with APPETD and one of the reasons why we're presenting here today is as the Commission would know we're presented in Durban and when we spoke of our initiative and our attempts at forming some kind of solution to the free fee debate that's going on a number of our colleagues, especially with the Educor Group like with Damelin and with some of your other groups put together, we make up about 80 000 students in the industry right now. All of which are non-funded by government, no subsidies at all. We are self-funding and we do the job along with most private and public institutions where we have the exact same accreditation status that is required. We have the same kind of audit process that's put through by every one of the different governing bodies. And while we are not subsidised by government we do the job equally and some would argue as well or maybe even better than some of the public institutions. We do not have the same kind of fee problems and fee discussions and uprisings with our students right now. Purely because we believe that we provide the type of product that they value and see that the value of the product that we are providing is worth the money that we charge. We also, and it's a common misnomer through most of

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the public sectors that private institutions are expensive and out of the reach of most of normal, I mean the public. The fact is most, like with the two representing institutions here today, our fees are in the region of about, between 25 and R30 000 per annum which includes all text books and study guides and any other costs that, that may be exam costs, lab fees and anything else that is incurred by a student at a public university yet we are able to do that at between 25 and R30 000 compared with a public university that, remember that a student's portion that they're paying is anywhere between 30 and R50 000 for most universities, not including the subsidised amount that goes into the coffers at the university, along with the tax amounts and everything else. So we're looking at, just a tiny portion of the total fees that would be paid at a public university right now and we do that all very, very successfully where our pass rates and our throughput rates are well above most public institutions. So when we heard that, I mean fee free fees was even being considered we couldn't understand how it was being, going to be considered. But then maybe, I mean and even it's to put the [Indistinct, 00:08:31] going on right now with even the 8% increase we cannot understand how that would be. First of all, I mean would 8%, a 8% increase in fees or subsidising the missing middle and the lower income households, it means that there's going to be a huge amount of students that would traditionally not be able to get into the public sector or into the tertiary sector at all that now are looking for places to get into there and the fact that is with the private

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institutions where we are right now, we have the added capacity, the available capacity for that to be taken up. And remember that we are talking about students that would be paying about half or maybe even less than what they would be paying at a public university for the equivalent qualification. So what we're looking at as far as private providers go is some kind of system. First of all for us to be recognised by government and by treasury that we are a viable solution to perhaps the shortcomings that are in the public institutions right now and also we're looking at perhaps even putting together some kind of financing system like we have in our presentation where we've talked about a voucher system that has worked in other countries like Singapore and even recently in Botswana and in Tanzania. Now also been going through in Namibia where a voucher system is put into place where students are given a set amount of money and they decide where they want to study. And if given the option I think that private institutions would definitely be high up there as far as the choice goes where students decide to choose the exact same qualifications that is being offered at a public institution but rather at a private institution to attend. We don't have the type of disruptions and we provide a type of service that most people would ...[intervenes]

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MR ZULU: Sorry, Mr Naidoo.

MR NAIDOO: Yes.

MR ZULU: We've covered this ground with your representative from Richfield.

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MR NAIDOO: Right.

MR ZULU: Exactly the same ground.

MR NAIDOO: Right.

MR ZULU: The points you are making is exactly the same points by your Richfield representative and I'll put the question again as I put to your representative.

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MR NAIDOO: Sure.

MR ZULU: Firstly you indicate that you would like acknowledgement from government. You have that acknowledgement by when you register you were registered through government. That's one form acknowledgement. But the sense I get from representations is that the private institutions from your organisation would like subsidies from government on the basis that you're also providing education and a means to an end for the students. So the question that is posed is this, whilst you have the right in terms of the constitution to have private institutions, that's not the same right as in terms of public where you have the question of availability and accessibility being provided by the state. So how do you see, besides your comparative studies with overseas countries, why would you think government should provide subsidies to your institutions?

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MR NAIDOO: Well thank you for the question, Chair. Well we're not looking for particularly our institution, it would be the private association, the Private Providers Association in General and not particularly for Richfield. But ...[intervenes]

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MR ZULU: No, I'm talking about the institutions, you are the organisation ...[intervenes]

MR NAIDOO: Sure.

MR ZULU: ...that represent the – I'm talking about institutions now.

MR NAIDOO: Well the whole idea of the voucher system is that we 5

are levelling the playing field. Right now while we may be acknowledged government by our accreditation status the fact is

with government not acknowledging and not providing subsidies for that matter and not giving us the opportunity to interact with public

institutions and give the students the choice as well where students, I mean right now because of the funding and because of the NSFAS

funding with public institutions there isn't a choice. If you cannot afford to go to a private institution, you're pretty much stuck with

having or being forced to go a public institution that you don't necessarily or aren't necessarily choosing. It's the only viable option 15

and that's what they're going to do. Now we have the FET colleges, the TVET colleges that are funded and where it's pretty much free

education. Now given the opportunity to choose between a free public institution and a private institution where we provide a level of

service that I don't think you can even compare the two, I think the student, given the option would choose the private institution. And 20

while the voucher system, like we have offered up, is yes a funding model, it is also a possible solution to the problem that government

institutions and public institutions are going to have come the funding of students and there being a lack of spaces at universities. 25

Right now if there's any capacity at a public institution I'd be very, very surprised. So how are they going to be – how are the institutions are going to be able to take up these new students and the demand for places at universities right now may be our way of getting that voucher system into place.

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DR MALGAS: Excuse me, Chair, can I add to that?

CHAIRPERSON: Yes, certainly.

DR MALGAS: Yes. If we look at currently how the setup, the current setup is that the subsidies are really going to institutions and not following the learner. So if the learner has a choice in terms of the institutions that they want to go to, I know that they do apply and they do get accepted but it's following public institutions. If we open up wider and all the costs current are for public institutions to look at infrastructure which is going to cost a lot of money, there are alternatives and we're providing that particular alternative in terms of the subsidisation and allowing perhaps more access for learners.

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CHAIRPERSON: This morning we heard the Private Higher Education Group make representations and they seemed to suggest, in fact I think they stated categorically that they were not concerned that they would be prejudiced by this, by fee free education to the bottom level and to the missing middle. They said they felt that their services that they provided was sufficient to attract plenty of competitive students and that was their attitude. Your attitude representing some of the same members, Boston and Milpark I think, is rather different. You seem to fear that you will be

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prejudiced by the scheme that is proposed in the absence of some sort of voucher scheme. So I'm not quite sure about the consistency of your presentations but perhaps you can explain the differences between yourselves and the Private Higher Education Group approach?

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MR NAIDOO: Of course. Thank you, Chair. One of the main, well differences between the two groups is that if you look at our membership we target predominantly the lower to lower middle income type of student where most of our students – we traditionally target lower income households where if you look at the historical evidence ...[intervenes]

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CHAIRPERSON: [Indistinct, 00:17:54] hearing that you got Damelin and that you have Boston and that you have Milpark, that hardly sounds like lower bottom income.

MR NAIDOO: Well our institution registration fees pretty much speak for themselves and for my institution in particular it's R20 000 for a degree a year of a degree study. Now if you compare that with most public universities we are way below most of them and for that reason, yes, I mean we do target a much lower income group. With the Educor or Damelin Group as well I mean their fees are in the range of about R25 000 which is still below the public institution and that most of our students and remember that is just the higher education part of it. Now where you say that we are looking at ourselves as being prejudiced by the NSFAS system, yes I agree with that completely. With our traditional area of operation,

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especially in the TVET and the vocational area of training, that in the past five years has been taking quite a hit where five years ago we had a viable industry going as far as training for the private industry in the vocational sector. As soon as NSFAS funding become widely available for all students that, well just from my institution alone went from about 6 000 students to 1 000 students in a matter of two years and so while you say that we target different areas yes, we have been prejudiced quite drastically in that particular sector.

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CHAIRPERSON: [Indistinct, 00:19:42] you're afraid that the same thing will happen in relation to universities.

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MR NAIDOO: Absolutely. If free fees became available to all students I don't think the choice would necessarily even exist anymore especially for the targeted area that we would go into. Those students do not have the funds to be able to afford or rather would choose not to go to a paid institution rather than go to a public institution. Remember we still suffer from having the comparison between a public institution and a private institution where the preference is always the public institution because traditionally that is where the, that is where most people would go. That was a UCT qualification in comparison with a college qualification doesn't really ever come up. So when given the preference or given the opportunity I don't think the student is even going to think twice about going to a public institution rather than us.

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MR ZULU: I suppose and here again I'm covering the same ground, your prejudice that you mention, one is as you've indicated,

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is that at the time you started, I'm just talking about ...[intervenes]

MR NAIDOO: Sure.

MR ZULU: ...Richfield now, there was this opening. We'll call it a gap and you saw the gap, took the gap, bought up all these buildings that were available. 5

MR NAIDOO: Right.

MR ZULU: And now you're sitting with a situation because of government funding of public institutions you're wondering where do I get the money to sustain and maintain these buildings that I bought at that particular time. Now should we or should government take that into regard when discussing the issue of funding of the post-school education sector and should it not be a situation where government says we will only fund public institutions? I understand your argument but your argument also comes across as being for your own, as it were, I can't find a better term and a nicer term, but for your own selfish needs. You can't sustain yourself in the present system because your competitiveness in terms of finances is being taken away and you are therefore asking more an indulgence than a right to be subsidised. Have I perhaps summarised your argument? 10 15

DR MALGAS: Perhaps I should come in here. I think when you look at the current situation and as we say we actually in term of APPETD and our membership and we believe in access, there needs to also be social equality. So part of the process is actually if a university then has to get the full subsidy and they need to get more learners and obviously with the plans of increasing university 20 25

student intakes in the country, there will be a need for lots of resources. Not just public resources but also private resources and to me it will make sense to use the resources so that we can get maximum benefit and I think that part of the benefit is that if the private institutions are also used and obviously from an infrastructure point of view and also from a quality point of view, we'll be able to reach our targets whereas currently in the current situation we have universities that will have to build infrastructure, that will cost lots of money and a lot of that money unfortunately will be used rather than in learning, it will be used in infrastructure build. So it makes perfect sense to use as many resources as possible in order to gain greater access for students for higher education.

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CHAIRPERSON: It certainly doesn't seem to make any sense to create a situation where useful institutions are being detrimentally effected and of course one can't talk about free competition when it comes to government competing with private enterprise. But the positions not very different, is it, from the sort of thing where you have Comair competing with SAA and we've had complete, we've had conflict for a long time over whether the government is fair to subsidise SAA. Comair has put in a valiant attempt by the looks of things to keep going in the face of that competition. Wouldn't you be able to do the same thing?

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MR NAIDOO: Well it's quite a challenging question. I think with Comair and what they've done is cut all frills and cut all the services as far as Kahlula.com goes and provide a service that is bare bones

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and bare necessity type of thing whereas with education I don't know if we can do that as far as cutting down all bare necessities. We are right now bare bones. We offer the type of tuition to our students where yes we'd like to make profits as big and as a large a profit as possible, but the fact is we can't. We have to offer a service that is, meets their demand and our demand right now is coming from the low income population or middle income type of population that cannot afford the frills and so our service provision does not have all the of frills. Yes, we provide the service at a fraction of the cost of the public but the fact is we do not have any of the frills that are offered through some of our higher charging type of institutions.

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CHAIRPERSON: [Indistinct, 00:26:52] at the most basic level you don't provide sports fields and entertainments of that nature which must swallow up a lot of the government subsidies earmarked or otherwise. No, I understand that and one of the questions we should have to consider is the extent to which it's fair that the government should compete with private enterprise in this regard.

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MR NAIDOO: And ...[intervenes]

CHAIRPERSON: Yes.

MR NAIDOO: I beg your pardon, Chairman. One of the things that we wanted to do is that there shouldn't be any competition. I mean the suggestion of the voucher system or us becoming involved with NSFAS is that we provide part of the solution. We don't want to be competing with government. Yes, it's an uneven playing field as far as funding goes, but I mean if we could be part of the solution like Dr

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Malgas has just said it, with our excess capacity and the facilities being there already I think it just becomes that much easier for us to put together some kind of model that students and the public general would be able to accept more readily. Because I can't see any kind of situation right now where the problem is going to go away anytime soon.

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CHAIRPERSON: What is the capital investment of the members of your organisation?

DR MALGAS: Well it varies, Chairperson. We have small organisations. We, from consultancies up to members that are perhaps over 25 million.

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CHAIRPERSON: Well can you give us some sort of broad total as to how much is invested in your particular industry within the members of your organisation so that we can understand what government would be prejudicing if that should be the case?

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DR MALGAS: Well I just consulted with my colleagues, it looks in the region of about 2 billion.

CHAIRPERSON: 2 million?

DR MALGAS: 2 billion.

CHAIRPERSON: 2 billion, yes thank you. Yes. Thank you. Would you like to proceed?

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DR MALGAS: Thank you, Chair, I think we have concluded our presentation.

CHAIRPERSON: Alright. Questions from the evidence leaders?

MR ZULU: What is the lowest fee that your members charge for a

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certificate or a degree and what is the highest fee charged for these certificates or degrees?

DR MALGAS: For certificates it could be in the region of maybe 5 to 8 000 for certificates and then for degrees around 25 000, 20, 25 000 average. 5

FEMR ZULU: And do you have records of the level of employment that your graduates are able to obtain after they graduate?

DR MALGAS: We will be able to get that information, yes.

CHAIRPERSON: Well it's ...[intervenes]

MR ZULU: Just to put ...[intervenes] 10

CHAIRPERSON: ...it is quite important if we're talking about comparing the relative worth of the government supported institutions and the private institutions that we know how successful your institutions are.

MR ZULU: Sorry, together with that, I think to put in perspective your members vary from low cost to very high cost and that is true because you've got Varsity College and you've got your, I don't know what CTI is but those particular universities for the degree that you have given as an example are almost in the same range as your advantaged higher education institutions. So I think holistically, just as you have in public institutions you have lower income and higher income you have also with your members, is that correct? 15 20

DR MALGAS: That is correct.

MALE SPEAKER 2: Can I just make sure that you are certain of these figures that you are giving us or they are merely estimates? 25

MR NAIDOO: Well I can speak from my institutions point of view, our degree, our B.Com degree is R20 000 a year and our certificates range from 13 900 our higher certificate courses which is a year program at all of our institutions. The certificate type of courses, you were talking about a six month type of course, our range from about R5 900 all the way up to R7 900.

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FEMALE SPEAKER 2: And if a student who cannot afford approaches you, do you have, who approaches you without being able to fund that tuition fee, do you have bursaries and the likes?

MR NAIDOO: Yes, we offer up our own bursaries. We fund R5 million in bursaries every year for just my private institution.

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FEMALE SPEAKER 2: In percentages what it is in relation to the student population?

MR NAIDOO: In, that is, it's about 5% of the student population that we're talking about.

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MALE SPEAKER 2: The reason why I'm asking you these questions is that I know for a fact that Boston could charge up to 40 000 and ...[intervenes]

MR NAIDOO: Yes.

MALE SPEAKER 2: ...in most instances it's more than 40 000 so but you're telling us that the average figure is 25 to 30 000 for degrees.

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MR NAIDOO: Correct. But we're basing the numbers on the members that are, we have under the umbrella of the APPETD group and if you're looking at the largest providers it would be the

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Educor Group which is my colleague here and us as Richfield and one more, which is – which is the other one? Intec, well the Intec, the Group. Now between the three colleges we form about 70% of the APPETD group of the 80 000 students that we spoke of that are part of the APPETD group. 70% of them is the low cost providers like we've mentioned. The Boston and Varsity College groups don't have the type of students' numbers that you could, that would actually impact upon the average figure.

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MR ZULU: [Indistinct, 00:34:04] your members, Boston for example. You indicate in your presentation that Boston is one of your members.

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MR NAIDOO: Ja.

MALE SPEAKER 2: Yes.

MR ZULU: So in the figures that you are providing to us, you are excluding other, some of your members.

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DR MALGAS: We looked at an average in terms of the costs. We didn't look at individual organisations.

FEMALE SPEAKER 2: In which field do you have the largest enrolment? In which programs? Technology? What?

MR NAIDOO: Well most of ours is in business. We have, well just Richfield alone we have 10 000 students in higher education of which about 6 000 of them are in the business and management field. About 40% of them is in the IT field. That's in computer applications, the B.Sc in IT as well as artificial intelligence, that kind of field.

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FEMALE SPEAKER 2: And the lowest field?

MR NAIDOO: The lowest will be public management, a degree in public management. We have some of our vocational courses that we have, the electronic engineering, vocational type of training.

MR ZULU: Thank you, Chair, we do not have further questions from our side. 5

CHAIRPERSON: Thank you, Mr Zulu. Thank you ...[intervenes]

MR ZULU: That concludes the business for the day.

CHAIRPERSON: Thank you very much for your presentation, gentlemen. 10

MR NAIDOO: Thank you.

DR MALGAS: Thank you, Chairperson and Commissioners.

MR ZULU: That's the business for the day, Chair, until tomorrow. I'm not sure what time we're starting.

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