



**TRANSCRIPT FOR
COMMISSION OF INQUIRY INTO HIGHER EDUCATION
AND TRAINING**

TUESDAY – 29 NOVEMBER 2016

QUORUM/SPEAKERS

Chairperson : Judge J Heher

Member(s):

- Advocate G Ally
- Ms. L. Khumalo

Presenter(s):

1. University of Kwazulu Natal
 - Dr. Albert van Jaarsveld (Vice Chancellor-UKZN)
 - Dr. Sibusiso Chalufu
 - Mr. Simon Mokwena
2. Mr Philani Sangweni (Chief Operation Officer - FUNDI)
3. Mukovhe Masutha (Thusanani Foundation)

Head Evidence Leader : Advocate K. Pillay

Evidence Leaders:

- Advocate. T. Mabuda
- Advocate. M. Lekoane
- Advocate M Zulu

Expert(s):

- Prof. T. Mosia
 - Dr. G. Simpson
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TRANSCRIPT

Presentation-1

JUDGE J. HEHER: Dr. Van Jaarsveld welcome and your team

DR. A. VAN JAARSVELD: Thank you Sir

JUDGE J. HEHER: Miss Pillay are you leading the evidence today?

ADV K PILLAY: Thank you I am Chair

JUDGE J. HEHER: Well are you ready, can we start please. Dr. Van Jaarsveld previously you won't sworn in. On this stage of the proceedings, we tend to swear the witnesses in because they are giving evidence and not only making presentations. So what are your full names please?

DR. A. VAN JAARSVELD: Albert Stephanus Van Jaarsveld

JUDGE J. HEHER: Do you swear that the evidence that you about to give will be the truth, the whole truth and nothing but the truth. If you do, raise your right hand and say so help me God.

DR. A. VAN JAARSVELD: So help me God

JUDGE J. HEHER: Is any other of your team going to give evidence or they are merely backup?

DR. A. VAN JAARSVELD: Chair they may respond to questions or if you wanted to do so....you're welcome

JUDGE J. HEHER: Can I place your names on record please gentlemen? Would you mind switching your microphones on? Thank you

MR. S. MOKOENA: Simon Sello Mokoena

JUDGE J. HEHER: Yes Mr Mokoena do you swear that the evidence that you about to give will be the truth, the whole truth and nothing but the truth?

MR S MOKWENA: Yes Sir

JUDGE J. HEHER: You do. Thank you

ADV K PILLAY: Thank you Chairperson

JUDGE J. HEHER: We have one more - please

DR. S. CHALUFU: Sibusiso Chalufu. C-H-A-L-U-F-U

JUDGE J. HEHER: Mr Chalufu do you swear that the evidence that you about to give will be the truth, the whole truth and nothing but the truth?

DR. S. CHALUFU: So help me God

JUDGE J. HEHER: Thank you. Thank you Miss Pillay

ADV K PILLAY: Thank you Chairperson. Dr Van Jaarsveld I know that you have prepared a presentation for us today.....well not really a presentation, but an address. Perhaps you can get on that and we will ask you questions as and when we need to.

DR. A. VAN JAARSVELD: Thank you for that. Thank you Chair, thank you Judges – nice to see all of you here. I wanted to just.....as a short presentation really but data sharing about what's happening as far as the support of students at UKZN is concerned. I think the most important point is right at the beginning of the presentation, it says: we at the University support on an ongoing basis on annual basis about 50% of our students in one way or another by virtue of three primary instruments that are available to use at the university. Those are the Loans, Bursaries and Scholarships as outlined there, and then under No. 2 of the material that we submitted to you....

JUDGE J. HEHER: Sorry what is EMC?

DR. A. VAN JAARSVELD: I'm sorry – the Executive Management Committee of the University. Sorry about that, it's just an abbreviation. But I think then the second point focuses on the loans and the financial aid that we provide. Two broad categories are summarised there; with the vast majority of our students supported through NSFAS and the small proportion through UKZN Council with money allocated for that purpose.... And the third category of information that we are sharing with you focuses on the bursaries that we have in front us now. And the bursaries are again broken down into a number of categories: the external bursaries – from external sponsors, corporate donors. College bursaries themselves that they provide out of their own funding, the internal administration of the university itself, NSFAS bursaries and then of course the Executive Management Committee provides a number of focus bursaries in particular areas as well. I think for us the most important is.....after that then is the understanding that the NSFAS bursaries that we are talking about essentially focuses on the College of Humanities in terms of education bursaries that are offered to students.

And then the next category of funding are the Scholarships – which include the external things like National Research Foundation, the Trust Funds, the Council Monies, [indistinct] that we offer to Masters and Doctoral students at the university, and NRF grants all the bursaries that awarded to students on merit as well. Just to remember that it's always important that the Scholarships and Bursaries are general awarded on merit to students across the university.

JUDGE J. HEHER: Scholarships and Bursaries?

DR. A. VAN JAARSVELD: Scholarships and Bursaries generally – and the loans are generally available to people that have shortage of financial resources across the system. But scholarships and bursaries go to all students but on the basis of merit essentially.

JUDGE J. HEHER: Normally a bursary either is repayable or requires some work satisfaction does it not?

DR. A. VAN JAARVELD: Not in our case unless Doctor Chalufu wants to correct me but I'm not aware of any bursaries that we offer that requires work commitments from students. Today are generally just.....based on merit they are awarded and students use them to their discretion.

JUDGE J. HEHER: I see. In the old days when I got a bursary.....

DR. A. VAN JAARVELD: [interjects] I had to do the same. But that's something to be honest.....I'm glad you raised that because I think it's something we've lost in the system but I think it's actually not necessarily a good idea. We used to have to work 9 hours a week or something like that if I remember correctly if you had a state funded bursary. And I think it's actually good for young people to plough back way or another either as demonstrators or maybe some Teaching Assistant positions or whatever the case is. They used to be all over universities, they have all disappeared. There was a government policy at some stage that I think was driven by I think...the Department of Science of Technology, where they actually said bursaries are there for people to study and you are not allowed to force them to work as a consequence of that. That must have been about 10 years or so go at least.

JUDGE J. HEHER: Mine was while longer that

[laughter]

ADV G ALLY: My experience was, that a bursary was given with a concomitant obligation to work for the same number of years as the bursary was given. So....

JUDGE J. HEHER: [interjects] That was my case

ADV G ALLY: So if it was given to you for your BA LLB which was 5 years, then you must work for whatever government department for those 5 years. That's the way it happened in the 70s and 80s, I don't know after that what happened

DR. A. VAN JAARVELD: I think that happened in a number of sectors – I think Education bursaries were like that. I think even the old Railways and other bursaries were allocated on a similar basis if I remember correctly. The bursaries I'm talking about are scholarships from the National Research Foundation where students were asked if you get a scholarship from them, you have to work 9 or 12 hours a week or something like that as a Teaching Assistant or something as part of the....

MS. L KHUMALO: Kameshni, I wanted to check on that point of the obligation to work after you've received a bursary, are we signatories to international labour, are there strict obligations that frown upon that?

ADV K PILLAY: We'll look into that Commissioner and give an answer

MS. L KHUMALO: Because I know that there was a sense that it amounts to slavery, it can be viewed in that instance if there's an obligation that flows from a natural duty to teach.

DR. A. VAN JAARVELD: I think some of the commercial companies still use it today. I don't think there's any issue because the issue of teaching depends on a number of hours but I think the.....like Sasol still

provides bursaries to students and Engineers that they have to work back in their Institution for a number of years and then they are off their bursaries by virtue of labour.....

JUDGE J. HEHER: It... wouldn't be slavery if you are obliged to work for nothing after you've obtained the bursary?

DR. A. VAN JAARVELD: No exactly

ADV K PILLAY: Doctor Van Jaarsveld may I ask you a question just before you proceed. Just in relation to point 2, point 3 and point 4 of the presentation. I see that under point 2 under 'Loan Funding' – you have a UKZN Council Amount of I think that's 10 million, and then under 'Bursaries' you've got your Internal Admin-UKZN – and then 32 million and EMC funding. And then under 4 you've got UKZN Council Monies – 34 million and that's for scholarships. Can I understand how does the Council make a decision as to what amount to allocate for the purposes of loans and what amount for bursaries and what amount for scholarships?

DR. A. VAN JAARVELD: I think the reality is.....and I think the nice place to look at this would be under point 6 where we actually summarize the institutional contribution in different categories in this regard. Some of this funding.....essentially is set just under different kinds of categories. UKZN Loan Funding is generally used for.....this is a system that we use for people traditionally that we couldn't support under the NSFAS system, in other words people that were really at that level where they qualify for NSFAS, we didn't have the money for them because we always as a university gave people comprehensive bursaries, we didn't top-slice and distributed across the students....

ADV K PILLAY: Can I just understand that – you said that the UKZN Loan Funds is for people who qualified for NSFAS but who weren't given NSFAS because the allocation was inadequate?

DR. A. VAN JAARVELD: That's right

ADV K PILLAY: Now how does UKZN identify which people qualify for NSFAS?

DR. A. VAN JAARVELD: Remember those applications used to be done through the universities, so we had all the information and everything available to ourselves to determine that. It's only in this year now that the applicants went directly to NSFAS so we have all that information

ADV K PILLAY: And in terms of the income threshold....what income threshold has been applied?

DR. A. VAN JAARVELD: About 120 000...yeah.

ADV K PILLAY: And that threshold, does that come from NSFAS or is that something that's been adopted by UKZN?

DR. A. VAN JAARVELD: It's a NSFAS threshold, that's what they consider to be qualifying....I think it's 122 or something like that at the moment if I'm right.

ADV K PILLAY: It's a 122

DR. A. VAN JAARVELD: Ya. Okay. And then the scholarship.....

ADV K PILLAY: I'm sorry can I just.....I apologise.

DR. A. VAN JAARVELD: No worry

ADV K PILLAY: Just in terms of the numbers, does this mean that each year the Council would fund all students who qualify for NSFAS but are not covered by the allocation?

DR. A. VAN JAARVELD: No we couldn't. We can only fund.... a small proportion of them. To be honest, we were never in a position as far as I can recall.....Sbu correct me if I miss - where we could actually fund all those first year students. It was a tough hard decision we had to take that we could support as many as we could, and every year we had to negotiate then number of additional students that we were going to support from Council driven funding, on top of the NSFAS allocation which was always just a proportion of what was required

JUDGE J HEHER: So this 332 represents that small proportion?

DR. A. VAN JAARVELD: That would be the additional students that we fund on top of the....

JUDGE J HEHER: Yes. Which means they are about 70 odd thousands each?

DR. A. VAN JAARVELD: Yep

JUDGE J HEHER: Is that a comprehensive loan for all aspects?

DR. A. VAN JAARVELD: At the University of Kwazulu Natal that covers tuition, it covers residence and most of the other costs in terms of meals and so on. So we've worked around 70 000.....remember our standard average fee is around R30 000 a year, so it gives you a sense of where it comes out to....I think at the moment that our figures amount to about 75 or R76 000 for the total package that we work on.

ADV K PILLAY: And you testified that in relation to students who did get NSFAS loans, there's no top-slicing so those were given full cost of study?

DR. A. VAN JAARVELD: Every one of them. That has always been our policy at UKZN; we'd rather take in fewer students, support the ones that came on board comprehensively. I think our data as I shared with you last time indicated that students that were supported comprehensively did academically much better than the ones that weren't.

ADV K PILLAY: On that note, the students who qualified for NSFAS but who would not receive either NSFAS loans or UKZN loans – what support was put in place to assist those students?

DR. A. VAN JAARVELD: We couldn't do anything else. I think what happened then is that frequently....my assessment is and Sbu if you want to add something please feel free. But my assessment is what happened to those students frequently is that they managed to scramble enough money to pay our deposit which is R3 500 – it's a reasonably small deposit, we always kept it small. And they would then get into the system, and once they are in the system, they would work hard to try and

pay off.....we would have structured engagements with them about paying off some of their fees by the end of the year before they re-register, they come back. I think many of those students were just scrambling in the system, to stay in the system to the best of their abilities. Sometimes if they did poorly academically, they would be academically excluded, they could also be financially excluded if they did not manage to actually generate some payments.....and our CFOs have always been really accommodating in that regard. But the consequence of that over a 10 year period of time of 20% of our students – I'm guessing at least 20 to 30% of our students scrambling in this manner to make financial ends meet, has resulted in the build-up of extensive student debt that we carry as an institution, which you now know is close to a R1 billion at UKZN already, and that's how it got accumulated over 10 years from students trying to scramble to stay in the system

ADV. K PILLAY: Can we just get a sense of numbers – more or less how many students would this be - that's affected?

DR. A. VAN JAARSVELD: We actually don't have a very clear picture. I think this year we gonna have a better picture once we have received the data that comes in from the missing middle. Our estimate is that about 20% of the students of NSFAS qualifying of the 44 000 we have. We think that at least another 30 to 40% of them are going to be under the missing middle. So our estimates – and they really are only estimates but we have no data to prove it at this stage, is that somewhere between 60 and 70% of our students fall in that broad category that are financially vulnerable.

JUDGE J HEHER: What are College Bursaries?

DR. A. VAN JAARSVELD: The University is broken up into not faculties but a number of colleges. In other words we have four colleges: Humanities; Agricultural and Environment and Engineering; we have the Law and Management studies; and Health Sciences. So the four colleges operate as quite independent academic institutions in the way that some of the British universities function – colleges as well. They get allocated strategic funding to drive the strategic objectives of the university and many of them have used that funding to allocate Honours, Masters and PHD bursaries to grow their post-graduate cohort in the colleges.

JUDGE J HEHER: Can I just ask you....because things have obviously changed a good deal since I was there – but do your colleges when....take your Law College for example, is that one college in respect of all your campuses?

DR. A. VAN JAARSVELD: The colleges span over all campuses....

JUDGE J HEHER: So you don't have a separate college... for Pietermaritzburg and one place?

DR. A. VAN JAARSVELD: Only one that's an exception is the Health Sciences - now the Health Sciences is also across campus because they've got [indistinct] in Pietermaritzburg as well as in Durban, so they are actually all of them across campuses

ADV. K PILLAY: Dr. Van Jaarsveld if we can just get back to the NSFAS qualifying unfunded students – you mentioned that many of them would scrape money together just to pay the registration fee and then

struggle throughout the year to pay the tuition fees. Any sense of where these students get accommodated during this time?

DR. A. VAN JAARVELD: Accommodated in terms of accommodation? Frankly....maybe Sbu will have a better picture of that than I can but I think that..... My sense was that students really were struggling and the worse I saw was.....we have an informal settlement right on the boundary of the Westville campus if you haven't been there. And frankly many of the students were living in informal housing within that informal settlement which is hugely disturbing for us. But maybe Sbu you can give a sense of how they survived from your housing point of view.

DR. S. CHALUFU: Thank you Chair. Perhaps to give you a bit of a context....

ADV G ALLY: Sorry Doctor can you just put your name on record so that the Transcription is able to determine who is who

DR. S. CHALUFU: It's Sibusiso Chalufu. Perhaps to give a bit of a context to what the VC was taking about - we have struggled with students who do quite well academically but do not have adequate funding because NSFAS was obviously limited. As a result as an institution we had to change our Bursaries and Loans Policy in order to up the requirements for students who qualify because we thought there was an injustice where a student who had been able to scrape through and got in, and got the funding could maintain a 50%, whereas a student who, as the VC was saying did not having funding but managed to get money to register. In the second year of their studies, they still couldn't get funding because of an adequate funding even though they may have done quite well, so we changed the Bursaries and Loans system. But in regards to how they get in - they would come in, they scare through, get the money to register and all that. The following year, we have what we call the RAC - the Registration Appeals Committee where students can make a plan in respect of how they will pay the money that they owe, and through bursaries.....sometimes they will get bursaries because they would have done well, and sometimes when there's money that gets released from either the funding that the university provides or from NSFAS because we've received more bursaries, then we would be able to fund them.

But back to the question that you were asking – a number of the students as the VC was saying, do stay in the informal settlements. Some stay in the surrounding townships and they travel back and forth. And others to be honest with you, as you probably would know, students always.....they say: “*n boer maak a plan*”, students also make plans and part of what they do is that they would squat – they would find friends and they would stay in the residences illegally. Most of the time that's how they scrape through until of course they find funding. There are others who also stay not far from the institution in off-campus accommodation. It's not necessarily residences, there are individuals in and around our campuses who provide accommodation and more often than not the residences do accredit these places to see that they do conform in terms of the minimum standards that are required by the Department of Higher Education and Training.

ADV K PILLAY: And has there been any studies done on the success rates of these NSFAS qualifying students who are unfunded?

DR. S CHALUFU: Not to my knowledge but we have been able to provide data that looks at the number of students who have come in without funding and how they have performed over a period of time, and hence we were forced to actually change the Bursaries and Loans – because we realised that a huge number of them who would come in without any funding, scrape through the first year and they would be achieving 70, 80 or in some instances 100% module passes. And we thought it would really be an injustice not to.....but I think the point that you are making is that it's critical for us to really do an in-depth analysis and look into that, I think it's something to really look at as an institution

ADV K PILLAY: And the student that is unfunded in Year 1 due to sheer probably academic challenges is able to go into Year 2 – what are the chances of that student accessing funding in Year 2?

DR. S CHALUFU: I think it's for that reason that we had increased the funding.....I think in 2014 or 2015, there was 1 100.... extra students that the VC had decided that we need to ensure that they get funded.....it's those kind of students who have come in, they've done well but there's no funding for them. And also I think what normally happens is that as more bursaries come through, the money from NSFAS and from Council, gets released because the money that was supposed to be funding some of the students will then be drawn from the bursaries and it becomes easy. But again it's not a large number of those students that get funded.

DR. A. VAN JAARSVELD: I think just to make the point that we were basically forced after the NSFAS allocation to prioritise any of the additional funding that we had available through Council or otherwise to prioritise the students that were performing academically, in other words we would list them literally and go down that list as far as we possibly could to try and cover many students, some were cut-off because the money ran out

ADV G ALLY: Dr. Van Jaarsveld let's just get a sense of how the system works. You have applications that come through and.....well when my daughter was there you had some CAS system where you apply and you'll know whether.....and you'll be given the registration and so forth. Now if you are NSFAS qualifying, what makes these students, the number that you are talking about that you are only able to help in the second year – what makes them to be kicked out of the system because as we understand the criteria: 1. you must be financially needy and 2. You must have academic performance that will qualify you. So what keeps these people out or are you talking about the missing middle? So I just want to get a sense of how these people fall outside of the criteria and therefore weren't funded in the first year

MS. L KHUMALO: But maybe just before you respond just to.....maybe if we can find out if it's a first come first served, is it alphabetically cause they are all qualifying if it's not the missing middle

DR. S CHALUFU: Look I think we're talking about students who because there's limited funding that comes from NSFAS end up not being funded when they apply – and to the question by Advocate Khumalo, we of course we use the NSFAS means-test and of course we look at neediness and of course we look at performance. And of course you rate them on the basis of performance and you go down the list, and obviously as you go down this is the reason why we had to change the policy because a lot of students would apply and.....

ADV G ALLY: [interjects] Doctor perhaps.....we need more clarity. You are saying you are going down the list – now Commissioner Khumalo is asking whether it's alphabetical or first come first served. So in your explanation you're saying you are going down – what are you going down – you're going down on surnames, alphabetically or you are going down on first come first served – how do you approach all the applications?

DR. S CHALUFU: To my knowledge, you would have to look at the extent to which the students who are applying fall.....of course you have the threshold of course. And then on the basis of that and on the basis of how they've performed, so those two criteria will be the basis on which then you'll set them up

DR. A. VAN JAARVELD: I think it's important to mention that I think the context here is important....

ADV G ALLY: Sorry Doctor can we just get your name otherwise....

DR. A. VAN JAARVELD: Sorry Albert van Jaarsveld. Remember we have close to 90 000 applications a year of which we take maybe 9 or 10 000 students in. And the essence of our selection criteria is always academic performance and that's what we work with. But I think clearly Yes you're either NSFAS qualify or you don't, based on the material and information that you submit, but then we prioritise based on the academic performance as a basis for getting to that point – that's what the process we follow.

ADV G ALLY: So for me to understand, this 1 100 and the ones that I was talking about which fell out academically, they were seen to be of a standard it would seem to me higher than the ones that already had qualified. I was just trying to find out how you determine which ones fall out which ones not. Now we know there's a limited purse and everybody then gets ranked in terms of your application, in terms of financial neediness as well as performance – that's you means-test. Now I just wanted to know how the people fell out, so it would appear they fall out only on the basis that there's no more money left for you. Is that.....

DR. A. VAN JAARVELD: Let me try and clarify that and I think it's an important point to note. Remember that there are minimum criteria for students that they have to perform academically in order to be continued to be funded through NSFAS. So all the students that were selected in the first round as first years based on academic merit from their school marks or whatever else we use in this regard, that fell into the funding category, that comply at the end of the first year with the minimum requirements from NSFAS for them to be carried forward into the second year, we continue to fund them. But every year we have a problem that there were people that did not qualify in the first year based on their school performance but when we look at their performance at the end of the first year, they had actually stepped up to the plate and some of them have performed academically marvellously. Those are the people we are prioritising in terms of the additional funding so that we make sure that we make.....and I think that..... the criteria was more or less, the cut-off was more or less everybody that had passed all their modules essentially, those were the first people we tried to focus on in that regard

JUDGE J HEHER: Just explain to me if you will. How do you prioritise.....supposing you have somebody who is very bright, has no money, qualifies for NSFAS, and he is also offered a college bursary, and he is

offered a scholarship from somebody else, and has claim to a NSFAS loan – how do you prioritise what He gets or She as the case may be?

[pause]

DR. A. VAN JAARSVELD: Sorry I just needed to check because I wasn't 100% sure. NSFAS is a last resort, in other words if people are funded comprehensively from outside the system for other reasons, then they would get that bursary and the qualification, they can't get both clearly.

JUDGE J HEHER: I see. So it may be that a large number of people, who qualify for other sources of funding than NSFAS, would also qualify for NSFAS?

DR. A. VAN JAARSVELD: They potentially would have qualified Yes but they were obviously covered financially from other sources so they weren't in that basket.

JUDGE J HEHER: Yes I see. Your college bursaries, that's a lot of money – 33 million, where do the colleges get the money from?

DR. A. VAN JAARSVELD: They get it from the central budget – we as a university have allocated a strategic fund allocation to colleges, I think this year it's gonna be R70 million that we allocate for strategic purposes. They can do that.... use it to buy equipment, they can use it support PHDs, they can use it to support Honours students – it really is at their discretion in terms of how they spend it. All they have to report back is to how that they've actually enhanced the contribution towards the strategic objectives of the institution as a consequence of that investment. So as a University it's part of our central core budget but we invest in them and say: these are university objectives, how best can you utilise this money to deliver on our strategic objectives

JUDGE J HEHER: Do the colleges offer bursaries for first year students before they even know the students?

DR. S CHALUFU: I think in terms of the first years who have highly performed, if you look at Item 6 there, we have the scholarships and that is where those students who are coming in in first year, who have performed....

JUDGE J HEHER: [interjects] Great Matric results

DR. S CHALUFU: Absolutely! So we actually go out to the schools and offer them vouchers to say: if you come to UKZN you will qualify for a scholarship that will allow to study your first year without having to pay anything.

JUDGE J HEHER: But a college bursary for the first year, does the student have to apply for that?

DR. S CHALUFU: Excuse me which one?

JUDGE J HEHER: The college bursaries. The bursaries that the colleges offer, not the scholarships

DR. S CHALUFU: Some they have to apply for but I think in most instances it is.....as the VC was saying, these are funds that come from central funds and they are for strategic use, so where the colleges have identified students who are high-performing that they want to ensure that go into Masters and PHDs, they support that.

JUDGE J HEHER: That's what I was really asking whether these college bursaries are awarded to first year undergraduate students or not

DR. S CHALUFU: In most instances as the VC was saying, it is mainly for.....because they are strategic funds, it is for those students that the colleges have identified who are performing quite quite good and who could go into Honours and into Masters

DR. A. VAN JAARSVELD: I think weJust to emphasize here that the objective of the strategic funding was to grow the post-graduate pipeline at the institution. So the most vast majority of the funding is targeted at Honours which is the bottleneck we have identified and make sure we can carry them through into the Masters and PHD – and that was the focus of the strategic investment

ADV G ALLY: So therefore clearly it's not for first years at all because you know them

DR. A. VAN JAARSVELD: No

ADV G ALLY: It is people that you know that are in the system and it would appear for post-grad or some other kind of strategic qualification

DR. A. VAN JAARSVELD: There is a small component of college vouchers that go out, in other words where they do allocate even to school kids. In other words they look at very high performers and they want to bring them into the colleges and they recruit them actively into the colleges. So it's a small proportion of the funding that does go to junior students at all

ADV G ALLY: But I understood that to be Scholarship Trust Funds and not the College Bursaries. If you look at Table 6, Dr. Chalufu was indicating, in response to the Chairperson's question of whether students first years are part of that, he indicated that scholarships are for the recruitment and the bursaries Dr van Jaarsveld is the one that you indicated is for the strategic part which does not include the first years

DR. S CHALUFU: There are instances where under-grads are also supported through the college bursaries but in the main it is for postgraduates at Honours, Masters and PHD

MS. L KHUMALO: I wanted to check the source of these fundings - if they are strategic, is the strategy at the Council level or do they come earmarked to the institution

DR. A. VAN JAARSVELD: No it's at the Council level because the strategy is signed off by the Council at the end of the day. And so they sign off the financial allocation and the budget of the institution as well - so they would also sign off on the strategic funds that are allocated

[Judge H Heher: do you...]

MS. L KHUMALO: [interjects Judge Heher] sorry Judge. But do they come from the department, are they earmarked or are they?

DR. A. VAN JAARVELD: They are not earmarked funds from any particular source - they are just part of the core budget of the institution, in other words this is R100 million we invest it on an annual basis in strategic activities across the university and we flow it down to the colleges on that basis. So it comes from various sources including students fees, the departmental income that we generate but what we do is to make sure as a university that we make investment into strategy – focused investment into strategy which doesn't sound like a lot of money, it is a lot of money but it's a small part of the total budget of the institution in that context

JUDGE J HEHER: So you could be using your block grant?

DR. A. VAN JAARVELD: Absolutely

ADV K PILLAY: Dr. Van Jaarsveld just before you continue - we know that UKZN is one the institutions chosen for the 2017 ISFAP pilot. Perhaps you could just give us an idea of how that model will affect the funding at the university, and what practical steps have to be put in place to manage the IFSAP model?

DR. A. VAN JAARVELD: We've just had some very fruitful conversation with IFSAP to make sure that this thing actually gets put in place. We've submitted information to them now about the students.....they are focussing on Health Sciences at UKZN in the first instance. So we've shared information with them, they've shared with us the Application Form they want to use.....I know that they've been in conversations with the banks. The idea is the student will complete the application form; that the data and the information shared by the student which will include the ID numbers of parents and everything else will be used through a process set up through Deloitte which will be verified by the banks in terms of income.

After that there will be an internal audit process and then the information will be submitted through to ISFAP to roll out a pilot project. Now we are already....just so you aware of it engaging with ISFAP as well as the banks and everybody else to make sure that we can use the similar mechanisms and similar instruments to identify our missing middle, in other words the other people that are outside the pilot this year. So we are trying to get ourselves as closely aligned as we can with ISFAP because clearly by next year we gonna have to be well aligned with that. So our objective is to by next year to follow a mirrored process if you like in terms of identifying our own students.....because we also have to go through a process of verification and then audits in order to claim the 8% increase from the Department of Higher Education and Training, so we gonna follow the same process. Things seem to be more or less on track....I don't know Sbu do you wanna add something to that – you okay?

ADV K PILLAY: And the new students-centred model that's been introduced by NSFAS – would that have impact on UKZN's funding?

DR. A. VAN JAARVELD: Yes it will. I think the first thing one has to recognise is that the commitment by government to fund all NSAFS qualifying students is a tremendous boost for UKZN. For us as a research

intensive university, we have a very large proportion of NSFAS qualifying students viz a viz the Wits' and UCTs for instance. And the fact that up to 20% of our students are gonna be fully covered and fully financed, is a huge financial relief for the university. The fact that they are putting in place an instrument that will cover the missing middle over the next two years, will again make a significant contribution to the university in terms of dealing with the long term accumulated students debt profile that we have developed over time. Because it means it will take everybody under 600 000 out of the university system in terms of managing these debts.

And it will mean that for the first time as the institution we can stop playing bank, because we've been doing that for 10 years. We essentially have been acting as a bank, loaning.....students loans, and people trying to keep people in the system, rotating them through the system – and I think it's something the university should walk away from if we can and I'm hoping that these new instruments would allow us the opportunity to do that. There is one thing that we're just watching very carefully, in the space of the pilot, what's happening with ISFAP at the moment, and we are having some conversations with them about that – that ISFAP seems to be targeting the financial support for students at a much higher level than the benchmark NSFAS funding is in the system at the moment.

And there is a danger that we can create another student problem in the institution where we have medical students for example. Some of them being funded under NSFAS because they qualify and therefore....but to a tune of say 75, R76 000 a year, whereas ISFAP is start talking about R120 000 a year. And again we can create another student crisis by having these disparities within the system of different funding mechanisms that speak to different benchmarks and I think it's something that I just....we're having some conversations with them about it but I'm not sure we've got a solution yet.

JUDGE J HEHER: Well now....Edu-loan has had quite an important part in raising money until now. How is Edu-loan or Fundi going to fit into the new system the systems – the pilot project and into the students-centred model?

DR. A. VAN JAARVELD: The idea with ISFAP is that they are going to have the sliding scale approach to dealing with the breakdown of the bursary versus loan component that they offer to particular students. And I would suspect that the ISFAP loan component will be in the open market competing with all other opportunities that are available, in other words Edu-loan has made loan offers, I don't know what rates and how much cheaper. But I also anticipate at the high end of it, the banks will get involved to start competing in that area as well. So my sense is they will always be room as far as loans are concerned for a group of competitors to actually offer different packages to students on a competitive basis.

I don't think it's necessarily unhealthy because it also means....a monopoly I think would not be ideal in that regard. So I think competition.....and that's one of the problems we had with students we had internal loans with as far as the university is concerned is that these students had no options – they couldn't find unsecured loans anywhere and they couldn't get assistance anywhere else. But now that we have a few instruments that provide unsecured loans outside the university, it will be a much better scenario for us.

JUDGE J HEHER: Do you not foresee that there's going to some resistance to the loan arrangement?

DR. A. VAN JAARSVELD: Yes I think there already is in the student community some resistance to that. I think I also have a lot of sympathy with the idea that you finish your studies and then you have to spend an awful lot to try and pay them off or whatever the mechanism may be. But we've been through that, we've all lived through that – I think it's not an insurmountable barrier. But it's a question of how large those loans become, in other words does it really make it difficult for people to settle down, have a family, buy a first home or is it something that can be dealt with at a low enough level that allows people to continue with their career development and their personal development. If it becomes the kind of problem that we've seen in the US, then that's problematic, where people really feel they can't move ahead with their careers until they've dealt with the substantive loan.

JUDGE J HEHER: What indication is there that these loans under ISFAP will be manageable?

DR. A. VAN JAARSVELD: The first is it will be a combination of a bursary and a loan, in other words so if you earn less then you will a smaller loan component than somebody who earns more, which I think is one way of addressing that problem. But on the one hand if you take a loan for 3 years for university studies....if you look at the costs at university are such....and frankly I think the cost of universities is also something that needs to be looked at because it's something that worries us deeply. Some universities cost three times as much as others in the same country in terms of us being there for one year, so that's a fundamental difference that we have to look at. And so I think it's something that we have to really try and tackle but I do think that a small loan.....some contribution from the individual because at the end of the day I think education is a public good but also a private good, so I think some contribution from the individual could be justified as long as it doesn't get out of hand.

JUDGE J HEHER: Thank you

ADV K PILLAY: Thank you Doctor. I think you were at point 9 of your presentation

[laughter]

DR. A. VAN JAARSVELD: I don't wanna go into the other details too much but I think the idea was just that we give you the same information in a few different ways to give you an indication about the allocations as far as gender, undergraduate, postgraduate and race is concerned just to give you a sense of the distribution. The UKZN foundation of course is one of the things we are still battling with to be honest.....you'll see the student support there is quite limited in terms of the corporate funding – we get about R13 million or so we've contributed to the coffers on that basis. It really is true that UKZN Alumni are different from any other Alumni – the culture of giving is not very well developed, we working very hard to try and get that up and running but we are actually less successful than many other institutions in terms of getting the kinds of contributions that one would like.

We do get a lot of support for projects and the things that we run as you can see from the UKZN Foundation - it is important for you to have that sense and people are prepared to fund particular targeted projects, and we do well in that regard. But when it comes to the fundamental funding, you need to grow your endowment and support more students and for things like that. As a society we don't have a culture of giving strongly entrenched – I guess we have some incentives, they may not be the

same as the other parts of the world for people to do that. You only benefit from giving if you have a little tax problem in our country in terms of paying overt amounts of tax and you're trying to bring them down – it's not really an incentive in a proper sense of the word.

I think I'm finished with the presentation

ADV K PILLAY: Thank you Chair we don't have any further questions

MS. L KHUMALO: On the NSFAS, if you compare it with the current ISFAP – is it ideal for the institutions generally - your opinion?

DR. A. VAN JAARSVELD: Sorry can I get clarity – ISFAP versus NSFAS?

MS. L KHUMALO: Yes

DR. A. VAN JAARSVELD: Look ISFAP I think is a good complimentary model to NSFAS and I think.....I have always said and we have maintained even in our previous submission that I do believe that we as a society need to support poor children that have got talent. And I think NSFAS is a good instrument whether the benchmark of R120 000 is the right benchmark; it's a different conversation, where do you draw the line.

MS. L KHUMALO: When you say complimentary you mean the existence of NSFAS is still not well complimented?

DR. A. VAN JAARSVELD: Yes I think so because I think what you then do you make sure that you fully support people that are truly poor in our society however you want to define that. And that is a notion of the sliding scale....at the bottom end of ISFAP you would have the more bursary component versus the smaller loan component. I think it gives a sense of equity in terms of what we are trying to achieve in society in supporting people to the best of our ability without this notion that we can afford to support everybody I think. I know there is a call out there for free education but I just don't see how we can afford it

JUDGE J HEHER: You spoke about your student debt-book and you know how bad NSFAS is in recovering debt for whatever the reasons might be. We had a presentation after you from Fundi, who claim to recover 98% - what does that mean in comparison with what you and NFSAS achieve?

DR. A. VAN JAARSVELD: Our ability to bring debt back into the institution is really poor –we have about 10% recovery rate, which is terrible. I would like to hear how Fundi does that because I think maybe there are lessons to be learnt for all of us in that regard and to make sure that we can take it forward. But to be honest, we have not managed to be successful in this regard at all.

ADV G ALLY: Perhaps the difference between Fundi and NSFAS is NSFAS has a contract with the student whereas as I understand Fundi they have an agreement with either the parent, guardian or the sponsor, that's where the difference is – on my take on it. They could explain it differently but I think that's the difference as I see it initially

DR. A. VAN JAARSVELD: I take the point but the traditional culture at South African universities is that the engagement is between the student and the institution. You're not even allowed to release marks to the parents, so it just creates that....I always say to the parents; well if you need access to the marks, if you must have a pin number to the marks you must give them the bank pin number [chuckles], something to that effect

JUDGE J HEHER: So now I'm just wondering why you are not allowed to contract with parents while Edu-loan is?

DR. A. VAN JAARSVELD: I don't know to be honest what the basis of that is – I just think that traditionally the registration process at universities is literally a contract between the student and the university for some other reason. And that seems to be driving that relationship, whether it's.....

JUDGE J HEHER: I assume you can always get a Guarantor for any loan that's made. You could have a guarantor for the student; it could be a guardian, a parent. I can't see if there could be anything in law against that

DR. A. VAN JAARSVELD: We have not explored that as far as I know. Do you know if we have explored anything along those lines? We have not explored anything along those lines.

JUDGE J HEHER: Anyway. Thank you. Anything from anyone?

[No]

JUDGE J HEHER: Nothing from me too. Thank you taking our questions with such good humour and the thoroughness with which you have prepared your presentation. Thank you

DR. A. VAN JAARSVELD: It's a pleasure. Thank you very much. You welcome

[laughter] [mixed voices]

ADV K PILLAY: We can take the tea adjournment now...

JUDGE J HEHER: How would you like.....

ADV K PILLAY: We can do it now Chair

JUDGE J HEHER: Let's keep it strictly to a quarter of an hour. Thank you. We'll adjourn for quarter of an hour

[end of presentation]

.....ADJOURMENT.....

Presentation-2

JUDGE J HEHER: Welcome to you Mr. Sangweni

MR. P. SANGWENI: Thank you Judge

JUDGE J HEHER: You saw from the last witness that he had to be sworn in because that's the procedure we're following

MR. P. SANGWENI: My full names are Bonginkosi Philani Sangweni

JUDGE J HEHER: Are you prepared to take the oath?

MR. P. SANGWENI: Yes I am

JUDGE J HEHER: Do you swear that the evidence that you are about to give will be the truth, the whole truth and nothing but the truth.

MR. P. SANGWENI: Yes I swear.

JUDGE J HEHER: You swear. Thank you.

ADV. K PILLAY: Thank you Chair Mr. Mabuda would be asking questions.

JUDGE J HEHER: Thank you, Mr. Mabuda.

ADV. T. MABUDA: Chair, as you already know the presenter is Fundi. So Mr. Sangweni will be presenting on behalf of Fundi. I am not certain if the other presenter is going to be saying anything. Mr. Sangweni your colleague, is she going to be saying anything?

MR. P. SANGWENI: She's not keen, but she's here as my back up if I need her to speak

JUDGE J HEHER: If it should become necessary we will swear her in.

MR. P. SANGWENI: Thank you.

ADV. T. MABUDA: Mr. Sangweni you can.... You've prepared a presentation. You may proceed with your presentation and we will ask you questions. Chair if at all possible the presenter requested that he goes through the presentation and take the questions after.

JUDGE J HEHER: Carry on please Mr. Sangweni

MR. P. SANGWENI: Thank you. Just as a matter of introduction first. As I said I am Philani Sangweni. I am the Chief Operating Officer at Fundi. I've been with the company for just over a year. Initially I was an external consultant to the CEO of the business and then from there a full time employee as Chief Operating Officer. So the overview of Fundi is that the company actually started in 1996 as an NGO. It initially started as a partnership between the founder of Edu-loan and National Treasury.

At that time post 1994 there was a need to train our Teachers, Nurses and all other Civil servants. So they wanted a partnership because he has another company called Open Learning Holdings which provides education.....further education, post graduate education to teachers and nurses, police and so forth. The challenge he found was that most of these civil servants don't have funding to study further. So he started this company primarily to do that. The company then evolved over the years to start funding. So they started funding civil servants that were studying further and they moved to fund their children....that are studying. So if your parent is a civil servant and you want to study further, we would then give the loan to your parent for your, parent, guardian or sponsor to pay your fees while you are studying, then we collect from the parent or guardian. So that's been the majority of the business until about 1999, 2000 when one of stakeholders - the University of Johannesburg to be specific, asked us to come up with a system to help them to disburse NSFAS allowances. So allowances is NSFAS funding that caters for anything other than tuition - so for food, accommodation, books and so forth.

So we built a system called Fund Administration System where we disburse these funds, these allowances to students using a close book debit card system which we developed, so the students can go and buy food at Pick n Pay, Shoprite on campus, buy books and so forth. That part of the business has grown over the last few years, since it started and now represents about 45% of our revenue as a business which necessitated then that we re-look at the way we brand it- cause that's the part of the business that's growing quite significantly. So we changed the name of the company in October this year to call it Fundi, taking it really from funding and Fundi also being an expert - so we'd rather be an expert in an education space and help all our stakeholders, Universities, NSFAS is also actually a client and students themselves and parents [indistinct].

On top of that, over the last sort of three to four years we started offering technology to students. So we fund tablets that they need for their studies, we fund laptops and so forth. So that's broadly the three main product areas that the business has done. So just a brief snapshot of who we are and who owns the business, just maybe to show a bit of credibility. We have existed for 20 years. We are owned by.....

JUDGE J HEHER: Sorry I did not hear that. You have what for 20 years?

MR. SANGWENI: We have existed for 20 years. We are owned 40% by the Public Investment Corporation and then we are owned by Open Learning Holdings which is the founding company that started originally Edu-loan 20 years ago, started.....

JUDGE J HEHER: Who is that person?

MR. P. SANGWENI: Open Learning Holdings it's a gentleman called Jannie Kitshoff - he has been in education space for the last sort of 25 years. Open Learning Holding provides - - provides support services to a lot of Universities providing distance education for teachers, nurses and police primarily. Standard Bank owns about 16.5% of the business at this point, they used to own more, but they've reduced their stake. Kopane Investments is a sort of BEEE empowered vehicle that was used about couple years back for management to own a bit of the company. And direct management and staff directly own about 4.9% of the company.

We've got relationships.....so our key stakeholders are.....we've got relationships with all the 26 public Universities. By that I mean we've got contracts with them of what sort of loan or funding we can provide for their students, the terms, the interest rate, the loan arrear and so forth, as well as we use..... there's something called a salary deduction code authorised by the National Treasury that the Universities have. So they can deduct directly from their parent's salary if that parent is a civil servant - if they've got a PERSAL or a PERSAL number, so they are authorised they use that code. So the reason we've got 98% collection, you were right Commissioner Ally, it's because we do give the loan to the guardian, but also because most of those guardians 80% of our book, those guardians are civil servants and we deduct directly from their salaries. Okay

JUDGE J HEHER: What percentage in your book is civil servants?

MR. P. SANGWENI: 80%. We've got relationships with some FET colleges, where we do fund administrations and from thereafter we disburse once again to students. And we've got relationships with certain corporates where we do direct salary deductions for those corporates as well. So If you work for Eskom for instance, you can come to us to ask for a loan for your kid or for yourself, and then we won't do the stringent credit checks as we would do for your debit order loan and then we deduct..... Eskom would deduct on our behalf to pay us back, so that's what that is. We've got staff across the country - We do ramp up to about 350- 400 between January and April, which is the busiest period in the education space because of registrations on campuses.

We have offices in each and every public institution campus in the country and five regional branches - so in Ghandi Square in Joburg, in Pretoria, in the middle of Durban, Limpopo and so forth. We've just over the last 3 years opened an office in Zimbabwe, where we also have similar agreement with the Zimbabwean doing in which we do direct salary deduction for civil servants there as well. So we get funding from the following funders historically, some of them are still current - the UIF gives us funding.

So we are not a deposit taking institution like a bank. So in banks the bank model is that they get funding from deposits at 4 or 3% for your fixed deposit. We have to go out there and get money from other corporates or other investors. So those are UIF, PIC, Compensation Commission, Standard Bank and Mergence Capital. So we get our funding at prime, so as you can imagine it's relatively expensive funding for a corporate because if we get our funding at prime, it means we have to charge something plus prime for us to make some margins in the process

JUDGE J HEHER: What is Mergence Capital?

MR. P. SANGWENI: It's a private Asset Management company. So I just spoke briefly over to our two main products. So on the loan side, over the last 20 years we've managed to give out loans of about R5 billion. In the bigger scheme of things, when I came in to Edu-loan at that time now Fundi about a year ago, I said that's actually a drop in the ocean given the nature of the problems we've got around funding in the country, but just because they've been quite niche focusing on the civil servants and their kids . At this point 40% of our book is civil servants that are studying further and the other 60% is someone funding someone else to study. So someone younger who's still studying.

We've advanced over 830 000 loans for the last 20 years. Our collection rate again, on salary deductions is 98% and the other 2% is really when someone leaves the employ of the government and we can't even trace where they've gone. But as long as someone is employed by provincial and national Government to be specific.....so we don't have agreements with municipalities at this point, we are able to collect. With the debit order side, it's 95% collection. It's worth mentioning that on the debit order side, which is now growing and it's about 20% of our book now. We fund people that have typically been turned away by the banks. So our credit scoring, we go a 100 below than what banks would take from an empirical score perspective. So the Credit Bureaus have a score that they give to each individual based on their credit profile. We take a marginally high risk because we do operate under a developmental licence by the government therefore we can take slightly more risk, but with that we've actually been very good at collecting as well.

JUDGE J HEHER: What is this developmental licence?

MR. P. SANGWENI: Developmental licence means that you are required primarily to just to check affordability, it's not as strict. The National Credit Regulator is not that strict on us as they would be in a bank. So therefore even we see someone as a high risk client that the bank wouldn't fund, we are allowed to fund them because we exist primarily for developmental purposes. So the government has defined the developmental finance as education, small business development and so forth and so forth. So we do take a lot more risks than the bank and the business has been growing on the debit order side primarily for people again studying post graduates.

We have struggled.....We had projected that by now there would be 50/50 split between debit order and salary deductions. We actually have access money right now that we can give out but we are just not funding enough customers from that perspective. It is completely unsecured lending, meaning there's no surety required. So a surety by a bank means you need to have an asset that we can hold in case you don't pay, we can possess that asset, we don't do that, it's completely unsecured credit. The range of the loans on both sides is from about 1000 if someone wants to pay for one module at UNISA for instance to a maximum of 250 000.

JUDGE J HEHER: Your security is the employment.

MR. P. SANGWENI: The security is the employment and meeting criteria and that's all. Interest rate - we always have to add margin on the prime - our cost of capital basically, and it ranges between 11.5 % and 13% which as an effective interest rate is about 19% to about 22%. So relative to NSFAS, I would admit that it's more expensive, but unlike NSFAS obviously, we need to make some margin and pay back to people that have given us their money to lend out to customers.

ADV. T. MABUDA: What is the competitive interest rate?

MR. P. SANGWENI: So If you compare with other unsecured lending, so if you go and take a personal loan at the traditional bank, you pay anything, depending with the credit risk, anything between 19 and about 29%

ADV. T. MABUDA: What is your interest rate?

MR. P. SANGWENI: About 19 to 22% effective. Again because of the developmental licence we get checked every year whether we are not abusing our license. You can't charge 35%

JUDGE J HEHER: Sorry did I understand you said your interest rate is between 19 and 22%.

MR. P. SANGWENI: Yeah. Effective interest rate that's what it is.

ADV. T. MABUDA: Is there [indistinct] in repayments or is it as soon as you get the loan then you start repaying?

MR. P. SANGWENI: So because we're funding someone who's already working and not the student directly, our model is that while you're studying, someone is paying back the loan if you are studying full time, but 40% of our book is people that are studying and working. That's the main difference with the bank - so the bank would ask you to pay interest while you studying and then start paying the capital of the loan after you finish studying. I suppose it's because they've got surety or security so they can do that. We don't have any form of security.

MS. L KHUMALO: In your interest, do you consider the usual loan and if the capital amount exceeds what is allowed. So what do you do in those instances - doesn't the 19% to 20 put you in that bracket?

MR. P. SANGWENI: No, we're within the guidelines of the National Credit Regulator. So for unsecured lending, you can charge up to about 29/ 30% in this country and we are well below that.

MS. L KHUMALO: I am saying in your recovery does it not exceed, you know the rule that says the interest can't be more than the capital amount.

MR. P. SANGWENI: Definitely. We haven't found a case where that has actually happened. Our interest is always below the capital amount. So the longest loan we can ever offer is about five years, however the average loan that we have given out is about 24 months. So we never get to a stage where the interest is more than the capital amount of the loan. As I said we're affiliated with all the Universities, we also do have some relationships with other private colleges who also need student funding. So that's just a picture of who we fund. We manage funds on behalf of about 10 of the 26 Universities.

So let me just explain what Bursary Fund management means. It means that an institution would get funding from NSFAS then, we would take the tuition amount and then the allowances instead of.....so I am a NSFAS student, I was at the University of Durban Westville now UKZN. We used to get meal cheques at that time. And what typically used to happen it was that, as 19, 20 year old, you would take a meal cheque, go to ABSA, you cash it out, you spend it a bit irresponsibly because you come from a poor household you don't really know how to manage money. That was my case at least. And for the rest of the year you don't really have money.

So what we do with the allowances now is that the University would give us the list of all the funded students. We will then send messages to those students to say: come to our office and get your debit

card. And then that debit card has got a monthly limit of what you can spend and it has got pockets in the card of what you can spend on books, what you can spend on books, what you can spend on food, what you can spend on transport, what you can spend on accommodation. That way the funder most of which are Universities, we have some private bursary funds, foundations so forth who also give us their money to manage on their behalf, can run reports on a daily, weekly and monthly basis of where the students are spending their money, so that the following year they can reallocate the money to the pockets where the need is most. So for instance, if they've allocated only R2000 for books this year, then the students spends all of it, but they didn't get all the books required, even during the year they can say to us, please adjust or add money to the book pocket which we do or they can actually do it themselves. So our bursary funding administrations still allows these funders to go and see where the students are spending the money, with which vendors are they spending the money and how much money they spending on what. So it provides a lot of transparency in the system which up to sort four years ago, you couldn't tell where the students are spending money on what.

So we manage....this year we've loaded about R1.3 billion worth bursary funds of which 800 million of that is NSFAS money that has come to us indirectly through the Universities. I don't know if that makes sense.

JUDGE J HEHER: Yes I think it does, but might I just ask - how do you make your money out of this?

MR. P. SANGWENI: So for private foundations and the likes, we do charge administration fees because sometimes we need to find the students for them. So we advertise the bursaries to students, find the students, interview them and so forth. But for Universities, for the NSFAS money we don't charge the student anything and we certainly don't charge the University anything. We've got merchant agreements with your Shoprite, Pick n Pay where we make money from the transaction fees basically.

JUDGE J HEHER: In this particular diagram you've got Act 2012. Does that mean actual?

MR. P. SANGWENI: Yes

JUDGE J HEHER: Well what is 'Year to date Actual' - that means it's actually to now, today?

MR. P. SANGWENI: Ever since we started we've [indistinct] which is the term we use....in terms of the students cards about R5.5 billion worth of funds.

JUDGE J HEHER: And a huge increase in 2016

MR. P. SANGWENI: What we're saying.....that's driven largely by an uptake in private companies or corporates wanting to put money into education, I suppose it's driven by the noise right now in the system.

JUDGE J HEHER: I hear that, but it looks as though the food has nearly tripled....the food component has tripled.

MR. P. SANGWENI: So that's interesting because most corporates have come to us.....I am glad that you actually saw that. So the one example.....I think there was a media report about Nedbank giving out 2 million early in the year. That's just but one of corporates that has come to us and said: help us disburse this money and most of them are saying if the student has already has funding for tuition, the biggest problem they have identified is that most students don't have money for food. So that's why most private people and private corporates and private foundations are actually sponsoring the food pocket more than any other pocket.

JUDGE J HEHER: That's where you're making your money from the merchant?

MR. P. SANGWENI: So all pockets actually have merchants. So you've got book merchants, your Adams and all other books stores, for accommodation as well. For instance in the Joburg ecosystem, there is South Point, who is the biggest accommodation provider - we've got an agreement with them and so forth. So we actively go out to the merchants because that's where our commission is to make money

ADV. T. MABUDA: So in essence the person that takes up the loan will end up paying a mark-up on your commission. So if they transact on the card, so who pays the commission, - the Merchants?

MR. P. SANGWENI: The Merchant. So if you think about....

[mixed voices] [inaudible comment from Judge J Heher]

MR. P. SANGWENI: No, no this is absolutely just bursary management. So the loans it's a very different business. We pay the tuition directly to the University, the student never receives any money from us. This is bursary management. So this is mostly the money that we've received from third parties who are giving bursaries and scholarships and then we manage on their behalf. And then we make sure that it reaches the right student at the right time and the student can spend that money accordingly.

JUDGE J HEHER: Is this one of these typical organisations where you get money on that day, pay us up on Friday you get interest free Monday and Friday.

MR. P. SANGWENI: Actually the biggest driver of revenue here is just the merchant discounts, so we don't make any interest on the money. We typically have seen bridging finance on most bursary funds. They say to us we will give you money next week, they don't, but the student needs the money to go home or to eat, we pay the money to the student and then they pay us later. The only real revenue driver is the commission for the transaction fee that we charge to the merchants. The student never.....doesn't pay for the card except for the lost card.....Obviously we wanna try and incentivise them so that they don't lose their cards but it's not gonna be easy so that we replace the lost cards

MS. L KHUMALO: So we are going to hear later in the presentation on how the loan fund management is different from the bursary?

MR. P. SANGWENI: So I am not sure what you're talking about loan fund management. Let me just explain the biggest difference between the two products. The loan we give to the guardian; and while you are still studying, so if you're studying your first year, your guardian.....we would start collecting,

especially if they are civil servants - National Treasury collects on our behalf. That's where we make our money from the interest. So we never....so for us to give the agreement we have with the Universities, we don't give a loan unless we have a quotation from the University to say this student owes or needs this much money for them to study. We only give the amount up to..... because that's what our licence says, so we only give educational loans and the only way we can prove that to the Regulator is when we get the quotation from the University so that that money is not abused for other things.

So while the student.....we pay the institution or we give you the laptop, if you are taking the loan to buy a laptop for your studies and we start collecting. And the revenue model there is purely interest. Fund Administration is a separate product where the third part says to us.

I've got 100 students or I've got a R100 million, find students fitting this criteria. We advertise, we find those students, we interview them. Once they have decided they sign a contract with the third party saying we are funding you. Some as you heard from Professor Van Jaarsveld, some funders would want you to work back that period, some funders don't – they have got their own criteria. Then they give us the list of the funded students, of that list, we load onto individual cards. We give the cards to the students they start spending. The only time we start making money is when they have gone out to Shoprite and bought food and then Shoprite gives us our commission on that. If you think about it from Shoprite's perspective - they want access to a pull of students with spending power, that's why they are willing to pay the commission. So those are sort of circumstances for us.

ADV. K PILLAY: Mr. Sangweni don't you charge the donor administration fee?

MR. P. SANGWENI: Some donors we do. So depending on how much work in the back office they want us to do. So some donors can actually load funds themselves. In the system they can plug through internet banking. They can say: ID number of the student, name of the student. For this student I want to give them a 1 000 rand a month of which 400 is food, 300 is accommodation and so forth and then we get to a point where we call per student to say come to the branch or campus and come get your card, but if they want us to do that bit of work we do charge an administration fee because obviously we have to book a backup office to support that.

ADV. K PILLAY: May I take you back to slide 2 of your presentation Mr. Sangweni – 'Your credibility' slide. You mentioned in the 'credibility' slide that you have shareholders, your major shareholder is the PIC. And then you've got Open Learning, Standard Bank, Kopane Investments, Management and staff. Can you just explain to me briefly what the difference is between your shareholders and your funders?

MR. P. SANGWENI: So Shareholders are people who sort of gave initial investment to start the company or bought shares in the company. They don't necessarily have to give money for us to loan out. A Funder is someone we say: we need....we are foreseeing that there is a need of R500 million. Please give us money, we will make a profit out of it and pay you back - prime. That's what.... so a funder could literally be anyone. So we open it up.....in the past we've done [indistinct] to get funding to try and get them to compete so that we can get cheaper funding. It hasn't really always worked because they couldn't [indistinct] on time, so that's the

ADV. K PILLAY: [interjects] Can you just go slowly for your list of funders. You mentioned that when you receive funding you receive it at prime interest rate. So when the UIF gives you funding, does it give it to you at prime?

MR. P. SANGWENI: Yes

ADV. K PILLAY: And the same with the PIC and the Compensation - - -

MR. P. SANGWENI: All the funders

ADV. K PILLAY: Including your shareholder Standard Bank?

MR. P. SANGWENI: Yes

ADV. K PILLAY: So when Standard Bank gives money they give it to you at prime?

MR. P. SANGWENI: Yes unfortunately

ADV. K PILLAY: And PIC as well. Now when you fix the rate at which you charge students, you said it's between 19 and 22%.

MR. P. SANGWENI: So I said between 11.5 and 13% and I said: 'effective interest rate'. So the interest rate you would have paid at the end of your term is 22% of what you would have borrowed in the beginning. But the quoted.....so I wanted to clarify that - the quoted interest rate when you take a loan is between 11.5 and 13% depending on the institution and the contract we have with that institution. But because of compound interest and so forth, at the end of the term it ends up being about 22% - that's what I mean by effective interest rate.

JUDGE J HEHER: It seems to me your business is twofold. One it's a money lender and two it's an Asset Manager of sort

MR. P. SANGWENI: Of sort yes - it's very close. The only difference as an Asset Manager you would take that money and invest in different funds and make a return. We invest it in people.

JUDGE J HEHER: But I take it you have financial statements?

MR. P. SANGWENI: Financial

JUDGE J HEHER: Annual Financial Statements?

MR. P. SANGWENI: Yes

JUDGE J HEHER: Are they available or would you rather not disclose your annual financial statements.

MR. P. SANGWENI: We are a private company, but to the Commission I'll be happy to share it, I don't have an issue.

ADV. K PILLAY: I'm sure because the PIC is a majority shareholder, we should be able to access your financial statements.

MR. P. SANGWENI: They're not, I haven't double checked because we've got a new website. I'm not sure if it's in the new website cause we've obviously rebranded and stuff, but I can send it to the Commission no issue whatsoever.

ADV. K PILLAY: Now the money that you lend out to students, is all of that money sourced from funders or does Edu-loan have its own money?

MR. P. SANGWENI: So it's got its own money from a perspective of over the years we've obviously had retail earnings and we've kept – so we've got a very strong balance sheet but the primary source is the external funders - yes.

ADV. K PILLAY: And have you distinguished between the money which you lend out which is sourced from your retail income and the one which is sourced from outside funders.

MR. P. SANGWENI: No, not that I know of

ADV. K PILLAY: Even if you relying on you retail income you still trust.....

MR. P. SANGWENI: [interjects] Our retail income is still quite below our yearly loan book value. So if even if we took only just the money we've got in the balance sheet we wouldn't be able to do those loans that we do, it's about 4 to R500 million rand a year that we do.

ADV. K PILLAY: Irrespective of whether you are lending money or you are lending money which you receive from funders or whether you're using your own funds, you still charge prime plus?

[inaudible comment from Mr. P Sangweni]

ADV. G ALLY: Please answer otherwise the Transcription can't pick you up

MR. P. SANGWENI: Yes. The answer to that question is Yes

ADV. K PILLAY: Do you know what kind of interest rate banks charge.... in terms of [indistinct]

MR. P. SANGWENI: I don't know like for like comparison, but I don't.....we don't compare ourselves to normal bank students' loans because those have securities. So the risk to the bank is much lower than us, but for unsecured personal loans, we're within the range in the market if not slightly below.

ADV. K PILLAY: But those other unsecured personal loans not necessarily students loans.

MR. P. SANGWENI: Our student loans are actually unsecured loans.

ADV. K PILLAY: But what I am saying is that you're not comparing yourself.....you are not benchmarking yourself against student loans in the market, you are benchmarking yourself against unsecured personal loans

MR. P. SANGWENI: It's because we cannot, it wouldn't make sense to benchmark ourselves on student loans, because those student loans....if someone doesn't pay, the bank goes and repossess that person's mother's house. We can't do that. So it cannot necessarily be the same product.

ADV. G ALLY: What Miss Pillay is putting to you is this: do you not benchmark yourself on an unsecured loan market rather than what you are saying now is students' loans. There's a difference between the two because your unsecured loan market or your unsecured loans, is actually parents and not students.

MR. P. SANGWENI: Yes. So I think.....

JUDGE J HEHER: [interjects] I don't understand sorry. You said a bank would repossess a parents' house, but if the parent doesn't pay in your case and doesn't have the means to pay. You will.....

MR. P. SANGWENI: We would write it off. We write off

JUDGE J HEHER: Why?

MR. P. SANGWENI: Because it's not secured credit. Our developmental finance licence.....

JUDGE J HEHER: But if you get a return of intending to attach the immovables and there's nothing in the immovables to attach, then you go on and attach the immovables surely.

MR. P. SANGWENI: No at all. So our contract with whoever we grant a loan to, is completely unsecured; meaning we don't even ask them about what assets they have got. We only ask salary, expenses, therefore as a result if someone does default, the only recourse we have is to write off the loan. We do not attach assets - movable or immovable of whatever sort.

JUDGE J HEHER: Obviously you found a successful model because having a security of a salary, you don't need to go beyond that.

MR. P. SANGWENI: So that's the main difference between us and the banks. And that's why it's typically the people who have been turned away by the bank because they do not have security. So let me give you my example; my mother was a maid, she would not have been able to secure a loan....in fact I did not study after matric because we couldn't get....there was an amount that they needed for registration at UDW. Had she gone to Edu-loan and at the strength of her salary, she could have gotten the loan, If she became unemployed which she did when I was studying, Edu-loan might not have done anything - that's the main difference.

JUDGE J HEHER: They rely on the

MR. P. SANGWENI: They rely on the fact that the person we're giving the loan to will be employed in case if they are employed by the Government so the Government will deduct on our behalf. That's the main difference in the business model between us and private banks.

JUDGE J HEHER: Fair enough yes

ADV. K PILLAY: And if the government employee loses his or her job.

MR. P. SANGWENI: We obviously try to trace the person, we try to make an arrangement with a person. There's actually a certain example where one of....such cases where she called and said: I am depressed, I lost my job. We can't practically do, for all practical in terms of practical there's nothing you could do.

ADV. K PILLAY: So you take no further steps to try and recover the debt?

MR. P. SANGWENI: We do all the normal things around threatening legal action and so forth but, in reality.

ADV. G ALLY: And blacklisting?

MR. P. SANGWENI: Yes, I think that's the only recourse we've got. We go to the Credit Bureaus and list them because we are required by the law to say if someone didn't pay, we are supposed to say so that they don't get further credit, but that's the law – it's not us. But other than that practically there's nothing else we can do.

ADV. K PILLAY: You don't ever mitigate to recover the debt.

MR. P. SANGWENI: I don't know of any specific cases but as far as I am aware it would be too costly for us. Our average loan is R11 500. The range is a 1000 to 250 000, on an average a loan of R11 500, to try and mitigate to recover that....it actually ends up being more expensive.

ADV. G ALLY: Mr. Sangweni. I've heard this statement before by NSFAS actually and I'm not sure why you say so. When you have small claims court which has a limit of R15 000, so I don't understand why you indicate that to litigate you pay more than what you want to recover when you can pay absolutely nothing in terms of recovery.

MR. P. SANGWENI: That's a fair argument but think about this - at 2% default rate and us having to employ someone to go to small claims court every day to actually sit there and go through the stuff, we haven't seen the need for that. I am being honest and open as possible.

JUDGE J HEHER: Ya obviously, if you feel that's the way to do it.

MR. P. SANGWENI: So what I would probably do foresee and we are starting now to fund a lot more postgraduates, is that loan of 250 000 you probably would want to follow up because I mean it's a huge amount. But at this point we haven't actually had a problem. So on bursary management - I was there before the questions. As I said it's 5.5 billion up to date that we've managed on behalf of third parties, funders, foundations and so forth. Active students who use our cards - this year is 128 000 students. We've got about 40 clients under this product meaning Universities, foundations and so forth and so on. And the merchants – we've got about 2500 merchants across the country. So the student never finds themselves in a position where they need to get a book and then they know there's nowhere they going to spend the money in their card.

There's some write up here about the system that we use. I can go to it if you wish but in essence I think we've built a solution primarily for the education space. It's a closed loop, meaning that the student

cannot use the card to do anything else rather than what's defined on the card by the funder, so that's the biggest advantage - therefore we can then report on where the funders' money is being spent.

ADV. K PILLAY: Mr. Sangweni may I ask. Edu-loan describes itself as a developmental finance - in your view what makes the finance that you provide developmental in nature, is it purely the fact that it's unsecured?

MR. P. SANGWENI: I think that's a big component of it, but it's actually.....on average is more affordable than one can claim anywhere else. I am not gonna sit here and compare what each bank charges cause I don't have that information from the top of my head to be quite honest, but.....

ADV. K PILLAY: But wouldn't you need that information to understand whether or not your finance is more affordable than loans from other banks.....student loans from other banks.

MR. P. SANGWENI: We can, but I hadn't looked at that. That's just a write up of the platform that our funders use, it's called Edufunding.co.za. We've got 40 fund administration clients however we've got more than 200 bursaries advertised on the platform currently. We have seen this year about 300 000 students register on the website. For some of those 200 bursaries students can just apply on the platform directly, for some we haven't reach the agreement with the funders themselves to do that.

The aim really with this platform is to try and consolidate all the funding that is available in the country into one platform that the students can access. So that's just for formation right now of funding. I remember when I was studying we had to buy a book this thick. So if you didn't really have those funds [indistinct] So this is for students, they can just register and apply. And it's growing, it's a fast growing part of our business. And again we don't make money from the student. Some parts of this are free to the funder up to a point where they want us start disbursing the funds to the student as well. This is just....

ADV. T. MABUDA: So what's a closed loop system?

MR. P. SANGWENI: So banks operate your normal master card....these are debit cards - an open loop system which means you can go to any merchant, any ATM across the world and withdraw cash. The disadvantage of that system in this instance is that students will go and withdraw the money and spend it on the things that the funder would rather have them not spend it on - If you understand what I am saying. A closed loop system, you define up to.....if you like, up to item level at a Shoprite to say a student can buy Corn Flakes versus Morvite. That's just a simple example, but for instance they can't spend money on liquor.

They can't withdraw excess amounts of cash, so there's a limit depending on how much cash the funder envisages the student will need for transport. What we found challenging so far.... because we don't an integrated transport system in the country, is that most transport does operate on a cash basis especially taxis which is the majority of the transport that our students use, so they have to withdraw cash for primarily transport. But for everything else, for their books, we can determine where they can

buy their books. We can then negotiate discounts on behalf of the students for food, books, accommodation and so forth.

ADV. G ALLY: What's the cash withdrawal limit a month?

MR. P. SANGWENI: It is determined purely by the funder - so the funder decides. On average, over the last year it's been maximum 20% of the overall fund that's going to the student per month. So it really varies per fund, that's why I can't have....

ADV. T. MABUDA: I'm not sure if you've gotten to the Students Support Services. I wanted to ask: how you are able to provide students sponsor services with such a small staff compliment?

MR. P. SANGWENI: So here I'll be very frank. So part of the reason why we've changed the name of the company is that we're migrating the company to becoming much more holistic, education, support specialist. The first real questions when the CEO joined about two months before me - He's a 36 year old black South African like myself. I joined after that and the first questions we asked we said: okay, if we've given 800 000 loans how many of those people have become Doctors, Engineers, Accountants, and so forth. And to be quite frankly, Edu-loan didn't care about those statistics. So we could have funded people that did not graduate, they didn't care as long as they made their return. So we said what can we do to help students to actually graduate because we work quite closely with NSFAS. We work quite close with the ISFAP team as well in trying to define the future. And the biggest problem is that of dropout rates especially at frost year; especially for NSFAS funded students.

So we've come up with the model which we gonna start piloting next year at one or two....actually two of our university partners, being UFS and I think University of Limpopo. One thing I forgot to mention here sorry.....at UFS we run what we call a cashless campus for the University of Free State. Sorry I'll get to your question, I just need to explain this. What that means is each and every student at the University of Free State has our card as their student card. So in the front it's the student card the back is a [indistinct]. They use that to access the campus and every merchant in the campus and in around the campus, then transacts in that card. And we share the revenue from that with the University. So it's one of the things we're piloting to try and help Universities make additional revenue that they can then use to fund additional students. So at UFS it's currently working, we gonna roll it out to the University of Limpopo next year. So that's why I am mentioning those two. So those are used at our test campuses.

JUDGE J HEHER: One of the things that arise in my mind is how this fits with the sBucks?

MR. P. SANGWENI: That's very interesting because all of us in the industry have just submitted an RFP response to NSFAS because they want roll out sBucks. So sBucks is what they call fund administration and they've asked all of us to come in and support the system and they want to revenue share from that as well.

JUDGE J HEHER: They what?

MR. P. SANGWENI: NSFAS wants to share in the revenue from the swipes, from the transactions. So we in currently revenue share with UFS, but NSFAS is also asking for that. So in a sense if there's a R1 billion

loaded onto the card and the students spend and we made a revenue of 50 million of that NSFAS, wants a certain percentage of that. Currently we do that with UFS, but NSFAS is also moving to that direction.

JUDGE J HEHER: Sorry, what is the relationship between your card that you offer to students at UFS and the sBucks card which NSFAS issues?

MR. P. SANGWENI: Our card does what the sBucks system does and more. So it essentially tries to solve the problem of how do you disburse allowances to the students. Different models - sBucks uses a lot more the phone and USSD as the currency. We use a card [indistinct]. You can also phone and up the payment, but it's essentially the same thing.

JUDGE J HEHER: So you are in competition?

MR. P. SANGWENI: With sBucks we were in competition, but as of, sort of two months ago, we submitted the RFP response cause they want to expand sBucks....cause sBucks is currently been piloted at limited institutions. The word as far as I understand from the CEO of NSFAS is that he doesn't trust that the system....the sBucks system on its own can handle all the transaction volumes in the system, so they gonna appoint next year additional service providers to support the sBucks model - we are one of the people that are being considered for that. So in essence we are in the competition, but not really because we work at different Universities and as far as I understand what NSFAS wants to do is to add us, maybe a bank and maybe someone else so that the system doesn't fall cause if you only have one provider for all 400 000 NSFAS funded students and that system crashes for one day, you can imagine what that is going to do to the system - understanding how our students react when things don't work. So they are gonna add additional service providers to make sure that the system doesn't break and we are one of the people being considered for that. They did view us as competition a few months ago but for some reason we've managed to build a very good relationship for the last few months.

JUDGE J HEHER: You are a member of FAPSA aren't you?

MR. P. SANGWENI: We are a member of FAPSA from.....I was at FAPSA conference this year with Sizwe and Msulwa from NSFAS also there. {back to your question}. So at these two universities what we're piloting is for students that are funded by us, we are developing a reward system that is gonna reward second year, third year students going forward who will volunteer to mentor and give academic guidance to first year students.

JUDGE J HEHER: I hear competition all over the place. If you give incentives that's because there's competition.

MR. P. SANGWENI: So I am a product of UDW and what helped me out I was coming from a coloured township schools, So I wasn't really ready for University. We had a student mentorship programme, so I had someone literally hold my hand from day one, give me access to past papers, tell me what tutorials to attend and concentrate on, and therefore I got nine distinctions out of eleven in my first year - coming from an underprivileged background. And I credit that mentorship model as being one of the key things that assisted me. So we're using that same model, but we gonna use technology.

So most of our students have an App, they have downloaded the App - both our loan students and fund administration students. So just like Uber, we will link up the students with an App and say this particular mentor did well last year, link up with them at our office and meet and discuss these particular topics and then students...the mentees will rate the mentors, and If the mentee does well and they pass, we will reward that mentor with additional discounts at any of our merchants.

So we are currently in discussion with KFC, with Vodacom and MTN to start rewarding good behaviour, academic performance as well as you spending time assisting other students – so that’s what we piloting from next year. So the proof will be in the pudding whether that it will work well, cause we looked at various models - the SAICA Thuthuka being one of them. The problem is it’s difficult to scale models where you need to use external people to come in and support your students. It becomes quite expensive, so we’re saying: let’s use students to assist themselves then we’ll provide....so we are building a lot of content, academic content and the mentors in partnership with these universities that the mentors can use to mentor these younger students. So that's the angle of our idea. So in terms of challenges what we've seen being in the market is that from our perspective our input is quite limited because we do fund parents and sponsors.

We’re currently trying to come up with products where we can fund a student that has got a high likelihood of passing and we take it a bet on that student that they’ll start paying us. So one of the things that we’re piloting Monash University from next year - is we’ve said to Monash give us.....it’s easier to pilot with private institutions, if it works there then we take it....unfortunately sometimes it’s slower to use government public universities - give us the marginal cost of taking an additional student. So if it cost 40 000 year, but to take an additional student costs 7 000, we would fund the student up to that 7 000, not the parent, the student - we will take a risk on the student. Monash takes a risk on the student for the remainder of that amount. They need to make sure that the student graduates. When the student graduates, we pay Monash the remaining amount. And therefore when the student has graduated, their chance of finding employment increases exponentially, as we know that in this country it’s much easier to find employment. The challenge with that to test we identify specific Degrees that do have a high likelihood of having a student employed, and we use certain academic criteria based on Monash's history of what’s the type of student that can graduate.

Is it someone with an average A, someone with an average of B and so forth. So we take a bet on someone that we think is going to pass. So that is something that we’re piloting on a small scale to try and go around improving on the fact that a lot of our children don't have sponsors and guardians. So my mother was earning 1200 when I was going to University for the first time in 2001. It was very difficult to find funding, so someone like me.....I actually had to work for a year before I went to Durban Westville. But most of those students would then give up and so forth. So we are trying to create that as an alternative to that. I don't know if it’s gonna work, but we looked at various models that is the only one we think we can try out.

JUDGE J HEHER: Yes. Where do we go from here.

MR. P. SANGWENI: So on the loan side - the biggest challenge is that, on the Bursary Management side – we see that the biggest challenge is there is money in this country for bursaries and scholarships - It's not consolidated. It's difficult to know number 1 how much it is, it's difficult to measure the impact of that amount of money. So through our edu-funding platform we've taken all the bursaries that are currently available and we've listed them. We are in discussions with BUSA- Business Unity South Africa for all the corporates to then agree to at least us our application form there so we can start running analytics of how many students are applying, how many are getting funded and so forth.

So the biggest challenge right now, we really don't know what we don't know as a country, the amount of private corporate money that's available and we want to feel that gap. We are the only ones as far as we can see in the market that has wide-ranging stakeholder relationships. We've got relationships with corporates, we've got relationships with institutions themselves, we've got relationships with NSFAS and we're saying we want to be in the middle and facilitate the movement of money across this various people. The movement of information so we can start making better decisions as an industry as an education sector as a whole. Currently it's very desperate, everybody is trying to do....from good intentions what they think it's the best and sometimes it works against what the other person is trying and that's the biggest problem we've seen.

MR. P. SANGWENI: Mr. Sangweni just to go back to your 'Credibility' slide. You mentioned that one of your funders is Standard Bank - do you get funding from any other commercial banks?

MR. P. SANGWENI: So the agreement we have with Standard bank as a shareholder is that they've got first right of refusal for anything banking related. So the reason the other funders are there is because Standard bank has agreed to that. And historically they have refused for us to talk to any other bank.

ADV. K PILLAY: So you don't know whether or not Edu-loan would be able to secure funding at lower rate from any of the other banks.

MR. P. SANGWENI: Logically I can say yes we don't know. However if you think about it that any of our funders have wanted prime anyway. What I am pushing internally in the firm is to look for foreign funding. We're holding very high level discussions with the German Development Bank at this point to try and get prime interest rate.... It's actual based in Switzerland, it's 1.5%. If we can get funding at 3 or 4% and pass that on to our students, I think the impact we can make is huge, but locally Standard Bank has refused for us to speak to anyone. There are other very confidential discussions happening around our shareholders right now. We're questioning whether Standard bank is adding real value, but that's what we're talking about internally

JUDGE J HEHER: So that's off the record?

MR. P. SANGWENI: Yes that's off the record

ADV. K PILLAY: And Standard Bank would permit you to get funding from a foreign bank?

MR. P. SANGWENI: Off the record again we are trying to fight that. Our feeling is as Fundi, now I am not talking on behalf of shareholders. As a Fundi executive and someone who joined the company because I

am passionate about education, it does not make sense not to look for cheaper funding, It's illogical. So that's why we're looking at.....it's a fight. Will I win, I don't know - I think I am big enough to try and take them on

MS. L KHUMALO: I just wanted to check on the bursary fund, the management of that. Do the NSFAS funds come into that as well?

MR. P. SANGWENI: Yes, so that 1.2 billion.....sorry.

MS. L KHUMALO: And they're also subjected to the same merchant fees?

MR. P. SANGWENI: They are not subjected to the same merchant fees. The merchants are subjected to the merchant fees. Please understand the funder does not pay us the merchant fee.

MS. L KHUMALO: So I heard you earlier you were saying that the merchant interest is due to the guaranteed pull of students. But other than that on the merchant fees, you don't think they recover that.

MR. P. SANGWENI: So let me explain. Of that 1.3 billion 800 million is NSFAS money that has been given to the Universities and the Universities have given it to us to manage. Under the student centred model that would cease to happen for when they have gotten it right. They're piloting it as well and so forth. NSFAS would then give that money to us in the future; we would load it to the card, the student would go and spend, we would make revenue from the transaction fee and NSFAS had said in the RFP - in their request for tender; they've said they want a share of that revenue. But they don't pay. In the RFP, the way they have written the RFP, they are not expecting to pay us for anything for that service.

They're expecting us to find the way to make money through the merchants and then share that money with them - That's what they said. We still gonna negotiate because then economically it becomes quite difficult for us to share - they want 50% of that transaction fee. We got a back office and a call centre that supports the students. That's a NSFAS discussion, but NSFAS does not pay us anything directly at all.

MS. L KHUMALO: Is it virtual money so to speak?

MR. P. SANGWENI: It is virtual money. The only time it's real money it's when we then do the.....it's called merchant clearing, when the merchant sends us an invoice and say: 10 students spent this much in our store, you need to pay us then we transfer, we do an EFT payment to them – then it becomes real money or when the student goes to an ATM and they withdraw for transport then it becomes real money but it's all virtual money.

ADV. G ALLY: In respect of your merchants, you know of the new system that NSFAS would be implementing, will be that they are increasing the merchant base because in rural areas you might not find a Pick n Pay. You've got one of your sponsors or whatever as Pick n Pay. Students have their own problems with Pick n Pay and Checkers - do you have some kind of agreement like you have with Standard bank with any of your merchants?

MR. P. SANGWENI: So let's take a slight step back. So I made an example of Pick n Pay and Shoprite because those are recognisable. Out of the 2500 merchants, majority of them are non-chain non-big customers. For example, at University of Limpopo, if you are a lady selling vetkoeks on campus - you've got a store, we take on the cost of giving you a terminal. So they are not paying, those small merchants don't pay for that and students can then spend on that. So we've done in my assessment a pretty good job of finding non-big corporate conglomerate merchants where the students can spend on.

At this point, we've got a bigger merchant network, wider from a geographical perspective, from a diversity prospective in terms of size than what NSFAS has. We've got a bigger merchant base than anyone, NSFAS has acknowledged that, that's why they talking to us about coming in to support the system. At this point our processes if a student identifies a merchant that is not in the system, we have committed that within seven days, we would go that merchant and sign that merchant up across the country - even for rural campuses, for which Limpopo has a few. UniZulu for instance runs of our system and we haven't really had problems over merchants students cannot find. So we've got Boxer Superstore where most of the areas where people spend. So I've got a team that goes out reporting directly to me and signing up these merchants proactively, so we don't actually wait.

ADV. G ALLY: The question is not what you got. The question was - do these big merchants have an agreement with you as Standard Bank have with you. In other words you cannot go out to anybody else unless they approve of it.

MR. P. SANGWENI: No there's no exclusivity whatsoever. So we reserve the right to kick out Shoprite from the system if we wanted to.

ADV. T. MABUDA: Just based on the funders, the five funders that you listed on this slide. What is the percentage proportion of the funding that you receive from Standard Bank?

MR. P. SANGWENI: Can I be honest and say I don't know on top of my head. I can send that information later today, but I really don't know the split

ADV. T. MABUDA: The reason I am asking is because I was looking at your list of your shareholders. It says 16 percent

MR. P. SANGWENI: It's not the percentage proportion at all. So the funding is not in proportion with the shareholding. It's more

ADV. T. MABUDA: So you couldn't even tell me if they are.....

MR. P. SANGWENI: The PIC over the last 2 years have become the largest, historically Standard Bank has been the largest.

ADV. T. MABUDA: So has PIC indicated what is its position as it contributes the money?

[laughter]

MR. P. SANGWENI: So everyone would give a story about how it's not their money and they need to get a return. The PIC will tell you the money belongs to civil servants and their pensions and so forth and they need to grow that. They are measured as a business if you want to call it that and how much return they're getting for pension holders that work for the government - for the Government's Pension Fund. So in any investment they do, they apply private sector principles of how to maximise returns unfortunately. The conversation can start..... I think we are probably too small to be the ones forcing that conversation, but if comes from the government to say: let's start the discussion, I think it might happen, but at this point the PIC – any investment they make, they apply normal shareholder principles unfortunately.

ADV. G ALLY: Just speaking to your funders. Just explain to us how you get your funding from the UIF and the Compensation Commission and what....how does it come about, are they allowed to? How does it come about that they fund you?

MR. P. SANGWENI: So before my time, I am told that there was the RFP. People then submitted Expression of Interest - people were short listed. Over the last sort of five to eight years, they have just stack with the same people because I think that relationship works.

ADV. G ALLY: No, no. You see the UIF - as Unemployment Insurance Fund pays out people that are unemployed. Where do they get the money.....now we know there's money is sitting somewhere, but where do they get the mandate to provide you with the money for education purposes. I am looking around the legislative process and whether they do have the mandate which appears that they do and whether you know about it.

MR. P. SANGWENI: So I don't know legislatively - I'll be completely honest. But my understanding is that they collect money from all our payslips. They need to invest that money so that there's a return. So that when people do get unemployed there's money available to hand out already. So they look at us as a business, as a way for them to invest and get a return - it's purely that. It's not for from the goodness of their heart as far as I understand. It's a pure business protection to grow the fund they've got in order for them if the unemployment increases - they've got more money to pay out. So it's the same for PIC, it's the same for the....I don't know if there was a mandate in the background by their Minister who's in charge of them to say: fund education. I'll be lying if I said that, but my understanding is that it's purely commission driven.

ADV. G ALLY: And the same with the Compensation Commission?

MR. P. SANGWENI: The same

JUDGE J HEHER: Can I ask a question in relation to your interest rate? We had a presentation from the University of Kwazulu Natal this morning. And paragraph 8 of that says: [indistinct] finance – Edu-loan have offices [indistinct] respectively. Total loans for 2016, 2017 - 17 million 700 thousand. Number of students assisted - 428. Interest rate is 11 and half percent. Can you explain that 11 and half percent?

MR. SANGWENI: So again - it's what you quote when you hand the loan....so we've got a contract with UKZN. They say you can charge our students a maximum of 11 and half and it can go as long as 36 months - I don't remember exactly, but they say the maximum term is 36 months. That's what we quote on the loan.

JUDGE J HEHER: How could you do that when you're borrowing at prime?

MR. P. SANGWENI: So this is where I find.....it becomes difficult for most people who are not in Finance to understand. At the end of that 36 months, and I don't mean to judge you [laughter] because we have the same problem with our clients as well.

JUDGE J HEHER: That's why I asked the question.

MR. P. SANGWENI: So at the end of Month 1, we would charge 11% but it's compounded. So it's compound interest. By the end of the term.....

JUDGE J HEHER: Sorry how is it compounded?

MR. P. SANGWENI: So your.....

JUDGE J HEHER: Month 1 is 11 and half percent?

MR. P. SANGWENI: Month 1 is 11 and half percent. So let's say your loan was R 10 000

JUDGE J HEHER: Yes

MR. P. SANGWENI: So month 1 we add 11 and half percent and it becomes....

JUDGE J HEHER: 1 150

MR. P. SANGWENI: The following month the balance that you've gains interest and the next month, the next month. So by the end of the term, the real interest you've paid is 22% of the 10 000 and not the 1 150. So there's.....in most loan agreements, you get your quoted interest rate and you get your effective interest rate - those two things are different. The effective interest rate you can really calculate at the end of the loan term not in the beginning. But you quote the client to say: we will charge you this much per month or per quarter depending on what the loan agreement is. And that's the same for your home loan, that's the same for your vehicle finance, that's the same for any other loan product in South Africa.

JUDGE J HEHER: No, no but if you say the interest rate is 11 and half percent, you either say its 11 and half percent or you say it's 11 and a half percent compound interest.

MR. P. SANGWENI: No, so we do say that. So if the loan agreement that you sign...

JUDGE J HEHER: No you do but they don't?

MR. P. SANGWENI: I don't think they really understand.

[laughter]

However the law requires that the quote that you sign as a client, those terms are clearly defined and we even give you the total at the end

JUDGE J HEHER: No, I am sure that you.....

MR. P. SANGWENI: But to be honest with you, unfortunately because of South Africa's financial literacy, most clients don't understand, so we end up fighting with them at the end of the term to say: no but you said 11 and half, but that's the problem of educating our clients so that they understand what contract they're getting into – and that's always a challenge for us.

JUDGE J HEHER: I'm sure that being at University [indistinct]

ADV. K PILLAY: Mr. Sangweni what do universities get out of the agreement with the Edu-loan?

MR. P. SANGWENI: So as part of the rebrand exercise we did what we call focus groups with some of our key stakeholder. And the biggest thing that came from the University stakeholders is that they see us as cash flow partner of choice. So technically if they were to collect themselves as you heard, they collect about 10% - they're bad at it, it's not their business. We pay them early, so a student comes to us, they get their money early. So from the cash perspective for them, it makes sense as a business.

ADV. K PILLAY: And beyond that the University doesn't receive anything from Edu-loan or.....

MR. P. SANGWENI: Except for UFS currently where we share the revenue from the cashless campus. I mean we've got most Universities in their finance department there's an Edu-loan office, so if the student is struggling to pay, they can [indistinct], it's just an additional option they can give to a student apart from NSFAS - I think primarily that's it. Apart from the cash flow thing there's nothing really tangible.

JUDGE J HEHER: Well Mr. Sangweni I would thought the very first thing you would have said was they get service from our staff

MR. P. SANGWENI: No they do. So on the loan side that's what it is. I mean on the bursary fund management side, basically there are financial aid offices, we would have to do the disbursement of these funds manually and it was a process and it was tedious. So we just.....we solved some of their pain.

ADV. K PILLAY: Do you have any competitors in the market? Is there any other entity that grants unsecured loans to students?

MR. P. SANGWENI: Not at the moment. It's the banks. There is IEMAS coming into the market now, but they have just started. Everyone else is secured lending. The only other competitor that does unsecured lending is overseas [indistinct] but locally we haven't identified anyone. We could not have done our competitive analysis properly, but as far as we know there is no one else.

ADV. K PILLAY: And who are the primary shareholders in IEMAS?

MR. P. SANGWENI: I don't know.

MS. L KHUMALO: On your funders again Mergence is an asset management company isn't it. So is it the provident fund, the pension monies being put there for investment and then do you pay them back to the fund, the respective fund that would be a client. What happens there?

MR. P. SANGWENI: So Mergence Capital goes out. They find money - investors. They say to the investors we would grow your investment by this much. They identify various assets to invest in. They have identified us as one of those assets.

MS. L KHUMALO: That's what I am trying to find out, is that what is their return on this investment?

MR. P. SANGWENI: Prime...prime interest rate

MS. L KHUMALO: So where do they get it from - from your revenue or from your interest?

MR. P. SANGWENI: So in our income statement, there's revenue, there's cost of funding. So that cost of funding line goes to Mergence, goes to PIC, goes to Standard bank. On a yearly basis we have to pay that out to them. And in their income statement I suppose it's income from investments.

JUDGE J HEHER: Miss Pillay I have questions which I may put to this witness, but I wish to put questions to you in the absence of this witness

MR. P. SANGWENI: Okay

JUDGE J HEHER: So would you mind waiting outside for me. There are things that I cannot say to you, but I can say to the evidence leaders. So would you mind waiting outside and your colleague?

MR. P. SANGWENI: Not at all

[sound of Mr P Sangweni leaving]

[discussion between Judge Heher and Advocate Pillay]

What I want to know is whether you have considered this evidence or substance of this evidence in the light of the evidence what we heard about the Ministerial task team. The task team and what its proposals are for private schemes and so on

ADV. K. PILLAY: Chair what we'll do is that in the workshop that we intend holding on the 22nd of January, we will filter into the analysis of Eduloan and how it impacts on the ISFAP model and what the implications of ISFAP model are. Because as we go along, we are picking up more and more questions that need to be posed in relation to the ISFAP model

JUDGE J HEHER: Yes alright thank you. Then I won't have further questions for this witness. I don't even know whether they are aware of this Ministerial task team report, I take it they are not

ADV. K PILLAY: And when we have the set on 'Alternative Forms of Fundings' we can always bring Edu-loan back, fully back.

JUDGE J HEHER: I get the impression that there are number of entities working not necessarily in the interest of the other entity, and that Edu-loan may get a pleasant surprise from the Ministerial Task Team report. I may be wrong in time because what I really want to know from you is this: have you looked at the Task Team report to see to what extent it deals with Edu-loan?

ADV. K PILLAY: We haven't looked at it specifically from the perspective of trying to understand the impact on Edu-loan, but that's one of the issues we would consider for our January discussion

JUDGE J HEHER: Thank you. The witnesses can come back.

[end of discussion between Judge Heher and Advocate Pillay]

ADV. K PILLAY: Mr. Sangweni the Judge has just decided to hold you in contempt of the Commission.

[laughter] [mixed voices]

JUDGE J HEHER: I don't have any further questions. Thank you

ADV. K PILLAY: Chair. We have no further questions. Thank you

MR. P. SANGWENI: Thank you for having us Chair.

JUDGE J HEHER: Thank you very much indeed for a very thorough presentation

[mixed voices]

Miss Pillay, we're going to adjourn for 5 minutes then you can come and talk to us.

ADV. K PILLAY: Thank you Chair.

[end of presentation]

Presentation -3

JUDGE J HEHER: Do you have any objections to taking the oath.

MR. M. MASUTHA: No

JUDGE J. HEHER: What are your full names please?

MR. M. MASUTHA: Mukovhe Masutha is my full name

JUDGE J HEHER: Do you swear that the evidence you are about to give will be the truth, the whole truth and nothing but the truth.

MR. M. MASUTHA: Yes

JUDGE J HEHER: Thank you

ADV. T. MABUDA: Chair as you aware that the next presenter is Mr. Mukovhe Masutha from the Thusanani Foundation. Mr. Masutha has prepared a presentation. I will just ask him to proceed with the presentation and we will ask him questions as and when they arise.

JUDGE J HEHER: Thank you

MR. M. MASUTHA: Thank you very much for the opportunity. As stated, my name is Mukovhe Masutha and I will be presenting on behalf of Thusanani Foundation which is a non-profit organisation that links rural youth with post schooling opportunities. In addition to providing rural high school learners' support programmes aimed at facilitating access and success in post schooling opportunities. We do so using a group of volunteers, mainly graduates who have gone through the system and particularly operate in the rural provinces of KZN, Limpopo and the Eastern Cape with an exception of Gauteng townships.

I will now present Thusanani Foundation's presentation to the Fees Commission titled 'The case for Redistributive Justice and Collective Social Mobility in South Africa'. As a way of background, from inception, the post-apartheid South Africa identified the transformation and widening participation in higher education as a strategic tool to break the cycle of poverty and break from the socio-economic legacy of apartheid, which has polarised South Africa into the most unequal society or one of the most unequal societies in the world today. Now despite this strong national commitment or strong national policy commitment of this ideal, a post 1994 neo-liberal approach to education has underpinned the continued commodification of higher education making it accessible to a few.....a privileged and lucky few and predominantly inaccessible to the bulk of those who hail from low income, particularly the poor and working class.

It is this view of higher education as a commodity in our view, in a rapidly modernising economy that has led to an unmitigated socio-economic genocide on the dreams and aspirations of millions of poor South Africans, laying a solid foundation for the current higher education funding crisis that we are experiencing today. As Thusanani Foundation, we put forward to the Commission that given the history

and the current socio-economic reality of our country, a just and sustainable solution to the current to the higher education funding crisis, It's only attainable when higher education is declared and viewed through the lens of the public and cultural-hood whose equitable accessibility is of absolute paramount importance or a necessary precondition for South Africa's future socio political stability and most importantly national security.

It is through these lands that we have developed a case on the basis or based on the principles of redistributive justice and collective social mobility in higher education, but also society in general. I will now move on to our brief overview of the current state of higher education funding with a specific focus on what we've termed low income students and we will characterise that group of students later on in this document. It is our view that central to the South African higher education funding crisis, It's a system that is grossly underfunded, small in size and increasingly sold like a commodity in the market place, with the financial burden increasingly transferred to individual students over the past two decades. And whilst the negative consequences of a commodified higher education are felt across the social spectrum, they have particularly paralysed the educational and social mobility of youth from low income households, permanently condemning millions of them into the need category of not in employment, education or training.

It is our view that the South African higher education funding model as it stands in its currently commodified form, continues to significantly contribute towards the reproduction and reinforcement of social inequality, but most importantly, reinforcing socially unequal patterns of access and success in higher education. It does this in that judgements and standards upon which Universities access and success is primarily based on, tend to explicitly recognise value and reward students from elite social backgrounds while punishing those from low income households and communities.

Secondly, the current higher education funding model extends a high degree of autonomy to individual institution through which they have liberty to determine their own values rules and importantly the cost of study. Thirdly, the current funding model has resulted in a highly polarised higher education system with individuals and institutions occupying dominant and subordinate positions, depending on the composition and portfolios of their economic capital. Additionally due to its size, this system has increasingly become highly contested, unreasonably meritocratic at the expense of youth coming from non-traditional communities, and in this case non-traditional University communities with highly under-resourced schools and low higher education participation rates.

We therefore put forward to this Commission that it is this autonomous, hierarchical, meritocratic and commodified nature of our higher education institutions - that establishes close correspondence between social classification at entry and of course social classification at exit without explicitly recognising and in most cases denying the unequal nature of available pathways to access and success in higher education. This way, our universities contribute to the reproduction of social inequality and structures of domination under the cover or the pretence of the academic neutrality. It is our strong resolve that in its current form, contrary to the ideals of the National Development Plan and other progressive policies of this government or society in general, South Africa's higher education funding model as it stands enables our Universities to occupy the role of a smokescreen that facilitates the

undetected perpetuation of social inequality by enabling the normalisation of structures of socio economic stratifications in patterns of educational attainment and society in general.

We have identified a number of examples that we thought we should share with the Commission on how we characterise the current funding model as such. First is that out of every one hundred students who enrol in Grade 1, 60 would reach grade 12. Out of the 60 who write grade 12, 37 would pass Grade 12 exams and out of this 37, only 12 would get Bachelor passes that enable them to enrol at University. But the important point out of this statistic is that of the 12 students with University exemptions, only 5 of them, well 5 and 4 making it 9 will come from Quintile 4 and 5 schools and the remaining would come from underprivileged and under resourced rural schools and township schools. The second example is that nationally.....

ADV. G ALLY: Mr. Masutha, now you have given us some kind of statistics in Example 1. Where does this come from?

MR. M. MASUTHA: This comes from an analysis of the data provided by the Department of Basic education on their website. Basic education

ADV. G ALLY: Perhaps I think for purposes of our.....for purpose of the Commission if you could include where you got it from and same with other examples that you have - -

MR. M. MASUTHA: Thank you Advocate. We have compiled a bibliography of references upon which this document is based on – I can make that available.

ADV. G ALLY: That is fine except that where you specifically mention an issue, a bibliography might contain a whole lot of references and not references for this particular one.

MR. M. MASUTHA: Thank you. That is extremely helpful we would put footnotes to help with that. Thank you.

Now moving on with the second example - nationally, of the 984 000 students enrolled at 26 public Universities, only 180 000 or 18.2% are funded through a mixture of loans and grants from the National Students Financial Aid Scheme. The rest are left to scramble for external bursaries offered by private companies, NGOs, State owned Enterprises, provincial and national government departments - and also to add, a number of loan sharks that provide such loans for studying.

It is worth noting that the private sector bursaries mainly fund exceptional students studying at elite institutions towards specific fields of study that are in line with their commercial interests. This observation is further supported by significant variations in private sector investment between historically disadvantaged universities such as the University of Venda where private companies, some private companies would neither fund students there no hire anybody who graduates from those Universities, against elite universities such as Stellenbosch and Wits who enjoy the lion's share of this private sector investment - as revealed recently by a study published by The British Council which we will reference in another version of this document.

The third example is at an institutional level, during the 2015 academic year, to get this picture a lot more gruesome - Wits University receives 20 000 applications for financial aid, they award 3500 students and those 3500 students only 400 of them are first year students, which means that of the 6 000 first entrants at Wits University, only 400 of them will get financial aid packages from NSFAS. And this has been the trend for the five past years based on data that will also make available at an institutional level. This picture for us, amongst the examples that we have given is what pushes us to characterise the higher education funding model as we have done so above.

And the last example would be that with our racialized past, higher education participation rates amongst white students remains at 57% when compared with the 15% amongst the black population. Now with the above picture in mind, we submit that the position adopted and presented by the National Department of Higher Education and the Council of Higher Education with regards to the 2017 University fees, grossly underestimates the impact of the ever rising cost of higher education and the impact it has had on students coming from low income households and communities over the past two decades.

The narrative that the poor are being taken care of at Universities as advanced by the DHET and some university Managers, it's not only misleading, but also largely responsible for the resurgence of protests across our campuses. Evidence from national and institutional data, contrary to this narrative, clearly indicates and as stated at the Wits example, clearly states and indicates that students from low income households and communities continue to be on the receiving end of the higher education funding model, particularly at elite institutions. Contradictory messages from various government departments and university Managers regarding the future of higher education funding in this country, not only primarily sparked and fuelled students' protests currently taking place, but further threaten the legitimacy of this very Commission. Government's failure to maintain the moratorium on Universities' fees until the anticipated model of the Fees Commission or to possibly come out of this Fees Commission has actually allowed ever rising University fees to continue with the cancelling out of government's efforts to improve access rate for low income students.

The 2017 0% increment for the poor committed by the DHET has actually taken away from the poor by cross subsidising the continued commodification of higher education by University Managers - In that government is still paying for the difference or the shortfall between 2016 fees and the permitted 8% increment resulting from university Council's discretion. By handing the power to determine the cost of study back to university Managers before the anticipated model of this Fees Commission could be finalised, the government has effectively undermined its political responsibility to deliver higher education as a public and cultural good, but most importantly as its apex priority. It is this shifting of political responsibility to university Managers that has sparked and maintains protest actions.

As student leaders or former student leaders, we have negotiated with and are aware with the ruthlessness of university Managers in defending the current neo-liberal higher education funding model, hence we have turned to the State to regulate university fees whilst the new inclusive higher education funding model is developed, adopted and implemented immediately. The announcement by the DHET contrary to it expressed intentions, has in reality endorsed and legitimised the continued

commodification of higher education by University managers under the hooks of institutional autonomy - and in line with Set 3 of the Terms of Reference; we suggest that this is something that the Commission should probe in pursuit of a new inclusive model of higher education funding. The State must introduce strong regulatory and oversight framework in order to address the cancelling out effect. And what we mean by the 'cancelling out effect' is that government subsidy to universities has not necessarily gone down over the past decade. Government subsidy appears low proportion or proportionally to university fees, in that the more funds have been thrown into the universities, the more the cost of universities has gone high - which means that government could have doubled its contribution to higher education, If universities have tripled their fees, that contribution has not done anything, in fact it has gone below. That's what we mean by the 'cancelling out effect'.

Increased State subsidisation aimed at enhancing access for students from low income households will continue to be significantly undermined unless the moratorium on fee increments is maintained until the finalisation of this Commission's anticipated inclusive higher education funding model. The Nxasana Ministerial Task Team, despite being established after the Fees Commission on University Fees - this Fees Commission; the task team's scope makes both short term and long term proposed interventions that if adopted, delegitimises this Fees Commission and render it irrelevant and unnecessary, fuelling further confusion. A clear decision therefore needs to be communicated on the scope of the task team's recommendation and potentially contradictory roles and outcomes of both the task team and this particular Commission. It is our observation that the posture of this task team or the Nxasana MTT which I would refer to as the NTT moving from now.

It is our view or our opinion and observation that the task team's recommended higher education funding model, not only continues on the neo-liberal meritocratic trajectory of the current higher education funding model that has brought us to the crisis we are in today. But it's also reflective and littered with interests of the private banking and legal sector masked under a public private partnership document. At times.....

ADV. K PILLAY: Mr Masutha may I ask you - - sorry to interrupt. May I ask you just your view on what it that the.....specifically the financial institutions....the private financial institutions who would be part of the triple P? What do they stand to benefit from the model? Do you understand?

MR. M. MASUTHA: Yes I do. The banking sector in particular seeks to benefit from.....in the MTT, the private banking sector seeks to benefit by having their student loans repackaged under the Ikusasa in the name of private investment in the new funding model. We are against the commodification of higher education and we are against students' loans as they stand today. And therefore we see that particular involvement of....we see the role of the private sector and in particular the banking sector being left to a voluntary participation as an unfortunate case.

And in fact, as it would be expressed in this document later, we are of the view that the banks and all other industries that generate not only profit, but their very existence by existing in South Africa, should to be taxed under the principle of redistributive justice -as opposed to being left to voluntary

participation in the form of students' loans. And any involvement of student loans by the banking sector in the new proposed model, to us plays on the interest of the very private sector.

ADV. K PILLAY: I 'm sorry I interrupted you cause I wasn't sure thatwould you like to take questions at the end of your presentation or?

MR. M. MASUTHA: It would be helpful at the end, but if it's burning I don't mind taking it now.

At times this posture, that is the posture of the MTT, appears contradictory to government's efforts to widening participation in higher education. For example, the task team not only suggests the replacement of the current NSFAS model with a privately managed Ikusasa student financial aid programme, but further recommends the integration of private bank student loan product into the proposed model.

Private bank student loans have a global reputation.....a globally acknowledged exploitative reputation which is contrary to government's policy on widening participation in higher education particularly to the poor and working class. What is particularly concerning with ISFAP is that the contribution of big businesses towards the funding of low income students is largely left voluntary. We further propose that ISFAP's proposed BEE Skills Levy as a source of alternative funding for higher education, be further probed as it presents a possible window for big business to avoid the transformative ideals of the BEE Act, in so far as the transformation of patterns of ownership and control of the economy are concerned. We further submit to the Commission that the current state of higher education funding model is inconsistent with Section 29 sub-section (1) (b) of the constitution of the Republic of South Africa which states that: "*Everyone has the right to further education which the state through reasonable means must make progressively available and accessible*"

The final section of this document would substantiate our resolve that the State is currently in possession of reasonable means necessary to realise the immediate introduction of fee free higher education and training for youth coming from low income households. Failure of which threatens the legitimacy of our hard won democracy and our future stability. I will now move Chairperson to the meaning and content of free higher education as we see it. I would start by paying particular attention - this is something I would really like to emphasize. The crux of our document colleagues is captured in the paragraphs that I am going to read out - and this has to do with the definition of the poor and working class students.

The 2010 Ministerial Committee review on NSFAS, the 2012 report of the working group on fee free University for the poor in South Africa - both produced by the Department of Higher Education and Training. The Nxasana Ministerial Task Team on Higher Education Funding challenges facing the poor and working class as well as the missing middle. And more recently, the interim report of this very Commission; all define the poor and working class students as students from poor households with an annual income below 122 000 per annum based on NSFAS groups. And I must state that somehow, in one of the press statements, the Commissioner or the Chair of the MTT did emphasize that they were considering this definition to mean students coming from families with an annual income of 150 000. I must emphasize that our point stands despite that particular pronouncement.

Following the Ministry of Higher Education's announcement in August, The Nxasana Ministerial Task Team, and the interim report of this very Commission go on to define missing middle students as students from families with an annual income between 122 000 and R600 000. We submit to this Commission that this definition of poor and working class students and missing middle students by the above mentioned commissions and task teams, is exactly what is fundamentally flawed and problematic with the current as well as their newly proposed student funding models. Firstly, the annual household income of R122 000 as a criteria for one to be declared poor and working class, has remain unchanged for the past two decades despite the cost of study and that of living having more than doubled in the past decade alone. And to illustrate this point, the average full cost of study at the University of Cape Town has risen from 37 925 in 2003 to 113 602 in 2015. At Wits University, the average full cost of study has 27 855 in the year 2003 to 99 900 in 2015. At the University of Kwazulu Natal, this has risen from 27 945 in 2003 to an average of 79 491 in 2015.

Yet the threshold for being deemed poor and working class has remained unchanged. Secondly, we find the definition of missing middle by the Nxasana Ministerial Task Team which I must say was following and does emphasize that it was following on the announcement of the Minister of Higher Education in their understanding of what missing middle were referred to. To repeat, we find the definition of missing middle by the Nxasana Ministerial Task Team and the interim report for as noted in the interim report of this very omission, equally flawed and problematic.

Given the socio-economic profile of South African households, students who have been defined as missing middle, are in actual fact no way near middle class when measured by household income. Justine Visagie puts it succinctly when he writes and I quote: "In South Africa, what it means to be middle class is complicated by the low average and median levels of incomes in the country, and very wide distribution of income. Households who have achieved a modest standard of living are actually near the top of the country's income ladder". I want to really emphasize this point because given the history of the South African economy and the current state of the South African economy, the graph of income in the country goes like this and then like this because it's.....so what I am demonstrating is a flat line from point 1 to about 8 and then steep rise from 8 up until 10. And I am saying, the difference between the bottom income and what is deemed median in pure numbers, is in no way near what could be characterised as middle class using socio-economic terms or economic terms. And therefore this is further supported by the fact that 70%.....I guess this is probably a lot easier to explain with a point that follows Justine's quote.

The point I am making is further supported by the fact that using SARS data or the South African Revenue Services Data, over 70% of South Africa's labour workforce earns below taxable income of R6 000 per month. In a country with the Gini coefficient of 0.7, bothering on being the most unequal society in the world - It is inaccurate.....grossly inaccurate to brand a daughter of parents with an individual income of 61 000 per annum or 5 166 per month as anything that resembles middle class and therefore not eligible to qualify for a fully subsidised full cost of study at higher education institutions. In determining one's class position in any economy, but most importantly in an economy similar to ours, it is unjust to evaluate the value of one's household income in isolation from the cost of living and in this case cost of study. And I must say that NSFAS did attempt to do this with their EFC or expected family

contribution analysis, but the cap of 122 as eligibility, continues to render that EFC model which could have been possibly helpful, completely irrelevant.

ADV. G ALLY: Mr. Masutha perhaps you can further elaborate. I am not understanding your issue of 61 000 falling within the middle class. As it presently stands, whether you agree with it or not, the household income up to 122 000 has been branded as poor and between 122 and 600 000 has been missing middle. Are you saying that 61 000 rand per annum is branded as middle class - so where does that fit in the students' fees issue?

MR. M. MASUTHA: I understand that Commissioner. What I did here and maybe it's because I am reading slightly faster, but the 122 000 as you correctly state is household income. So what I've done here, what I've said is that.....just a second. What I've said in that line is that in a country with a Gini coefficient of 0.7, it is grossly inaccurate to brand a daughter of parents with an individual income of 61 000. That is 122 000 divided by two, that's what I simply did to just add or drive the point on the size of the income in each of the parents. So the 122 000 is the overall household so I simply split that. So apologies I should have left the figure as it is. Thank you

JUDGE J HEHER: I am by no means sure that either any of this figures are intended to refer to class at all. But they are simply income levels which are indicative of poor levels and middle level which is below what is regarded as upper income level. I don't think that class is an issue here, in this context.

MR. M. MASUTHA: And we are contending that the definitions are unhelpful and problematic. We are contending that the definition and the understanding of missing middle whether referring to class or the middle of the income it's also given the flat nature of the South African income levels as I demonstrated in the previous.....

JUDGE J HEHER: I understand your point.

MR. M. MASUTHA: Okay. In determining one's class position in an economy similar to ours, it is unjust to evaluate the value of one's household income in isolation from the cost of living and in this case the course of studying that has skyrocketed over the years. Keeping in mind the recent history of rapidly escalating full cost of study, the socio-economic profile of South African households, the income inequalities in our country and guided by the principle of redistributive justice and in pursuit of collective social mobility and justice; Thusanani Foundation submits to the Commission that the Commission revise and adopt a definition of poor and working class to refer to students coming from households with an annual income of not more than R300 000. And there are number of ways at which we arrived in that figure, but the first and foremost one was that if University fees have gone up by.....have doubled and sometimes close to tripled, then what was deemed eligible to be poor enough ten years ago at the time when the University fees were at their same level, should also be doubled or almost tripled. And if that formula is applied then, we should go at above R300 000.

JUDGE J HEHER: No, I mean just look at the reality of the thing - who can live on R25 000 a month with a family. To me it's obviously - - -

MR. M. MASUTHA: Thank you Commissioner. That is the number we arrived at, having looked at that point amongst other things.....amongst other economic factors. But most importantly, I must disclose that we also arrived at this figure by looking at patterns of earnings amongst low income earners of various groups or various households falling under a particular socio-economic profile which I will describe just now. And having amended the definition of the poor and working class students; Thusanani Foundation calls for the immediate introduction of free and by free we mean fully subsidised full cost of study higher education for all poor and working class students in the form of government grants. We submit that the full cost of study should include in our opinion and as stipulated in many other related documents, the cost of tuition fee, accommodation, meals, transportation and all study material. It is our estimation that the 300 000 per annum cut off will benefit well over 80% of South African households, including the unemployed who when using a conservative definition of unemployment constitute those who are looking for a job and not finding a job - 27% of the South African population

This will also benefit 16 million social grant recipients who are 45% of South African households as per Stats SA's latest and Social Development's latest released data. Employees earning below taxable income who constitute 70% of the labour work force. Civil servants such as Teachers, Nurses, Social Workers, Garbage collectors, Artisans and other low income earners such as Farm workers, Domestic workers, Mine workers and Security Guards.

Adopting this definition will not only help address the income inequalities and bring much needed relief to students coming from low income household whose income has been nothing, but stagnant, when compared to the ever rising full cost of studying in South Africa, but will also mark a bold step.....a bold step in South Africa's efforts to break with the socio-economic legacy of colonialism and apartheid that continue to polarise our country along class lines. We recommend that the study loans or a combination of study loans similar to the concept presented by the NTT, be made available to students from household students family earning above R300 000. Given the structure of our economy and guided by the principle of redistributive justice, we are opposed to the idea of fee free education for all as this will work against the poor and working class students and further perpetuate unequal patterns of access and success in post schooling opportunities.

Under the meritocratic admission system, free education for all will result in universities overwhelmingly dominated by students from privileged and well-resourced high schools to the detriment and exclusion of students from under-resourced rural and township schools. And we would like to say that in an economy where only 1% or 566 074 {five hundred and sixty six thousand and seventy four} tax payers out of the total of 55 million people, earn above 500 000. We struggle to reconcile with the logic behind the proposed 600 000 middle class cut off.

ADV. G ALLY: And you will provide where you get that.

MR. M. MASUTHA: That's SARS data, we'll definitely provide that. I assume you're referring to the figure of only 1% of the population earning above R500 000.....Okay. I will now move on.....-

JUDGE J HEHER: Just a moment if I may ask. Assuming that those figures are right and I am not querying them for the moment. That is to say that the so called missing middle represents up to a maximum of about 99% of the population.....

MR. M. MASUTHA: Well households.....households in that the figure we are quoting is informed by household income and.....We are saying that, first we are challenging the definition of missing middle. We are putting aside the word missing middle and upping the threshold of who is poor and working class to 300 000. And we are then saying that anything beyond 300 000 can then be subjected to a mixture of grants and loans as included in what we have seen proposed by the Nxasana Task Team. And we are saying however, we cannot claim to have the explanation for the 600 000 cut-off on who should benefit from that mixture of loans and grants because we don't have the numbers of how or the algorithms which were put in place to arrive at that particular figure. And we say looking at SARS data, it became apparent to us that only 1% of the South African population actually earns above 500 000. I will now move on to alternative sources of funding for fee free higher education that we would recommend. Our first recommendation is that South Africa centralises all State Higher Education funding into one National Skills Development Fund.

Currently, the State higher education funding is inefficiently and wastefully scattered across local and district municipalities, provincial and national government departments, state owned enterprises, youth development agencies and various NGOs supported by the State. All these funds, and just to state that the sparse nature of those sources of higher education funding, the fact that they are scattered across without one soon agreed upon criteria for qualifying for it, makes it qualify for why we would refer to it as inefficient. And therefore, if we are to holistically solve the problem of higher education nationally, then let's throw every amount of money we have into one pot and have one criteria for how that pot must be accessed, as opposed to having it scattered across and living it to potential fraud and mismanagement.

JUDGE J HEHER: Does it matter whether you have a National Skills development Fund or whether or you have an Education Bank - you could do the same thing wouldn't you

MR. M. MASUTHA: Sorry I am not familiar with the concept of Education Bank.

JUDGE J HEHER: Well if you create an education bank with a capital reserve and an income which could be sourced from a levy.....on income.?

MR. M. MASUTHA: I will turn back to my colleague. I dropped Maths in Grade 9 Commissioner - I would try and see my numbers Guy if he knows or maybe he will comment afterwards on that.....

JUDGE J HEHER: There are other countries that have Education Banks where the bank advances and invests money which is put into it solely for the purpose of education.

MR. M. MASUTHA: I must say it sounds a probably even a lot better than what I am proposing, but like I said, I'm not.....

JUDGE J HEHER: But one would have to find the starting few hundred millions perhaps to begin with, but that may not be a problem, one never knows

MR. M. MASUTHA: Okay

JUDGE J HEHER: Anyway, I'm only asking you whether there's any difference in principle between the National Skills Development Fund that you propose and the bank which performs and functions....

MR. M. MASUTHA: One was that because I am not familiar with the concept of the State bank, it would be difficult for me to make the comparison. Two would be that by advocating for a National Skills Development Fund, the rationale was entirely based on the proposed need to have all higher education funding for young people, particularly the poor and working class, administered from one pot with one criteria so that it's less scattered around and possibly a lot more efficient than if one municipality can do so elsewhere. As we go down we would say that all these funds must be ring-fenced into a single National Skills Development Fund that would prioritise the introduction of free higher education for youth from poor and working class families and communities. For example in 2015 alone.....

MS. L KHUMALO: [interjects] Before you proceed. I wanted to ask just on that State higher education funding. Is this the funding that comes from the appropriation to the department or is it all inclusive of all funds? What did you have in mind there?

MR. M. MASUTHA: What we had in mind Commissioner was that every amount of money that is earmarked for taking students to Universities and TVET colleges - so post schooling funding must be put in one pot.

MS. L KHUMALO: From all sources

MR. M. MASUTHA: All sources in the country and the rationale will be added just now after my Free State example. For example in 2015 alone, the Free State provincial government spent just under 700 million a year on sending students to public universities. This is found on their budget vote Commissioner. Just under 700 million a year on sending students to public universities - and following on this example of the Free State provincial government, If each provincial government on average contributes say R500 000 million towards this proposed National Skills Development Fund, this would amount to an instant 4.5 billion per annum instantly. Now additionally, the rationale behind this formula will ensure that....well first the rationale is that these funds are.....exist as we speak.

The second rationale is that the formula will ensure that industrialised provinces with stronger sources of revenue could cross subsidised less industrialised provinces with weaker sources of revenue. In our view all South African money must be used to send South African students to school regardless of where, which part of the country it was generated. And it should not be the case that because a lot more mines are in the North West and therefore more revenue must go for higher education studies must go to the North West Provincial Government in our opinion. Number.....

JUDGE J HEHER: Well it's highly unfair that the Gauteng Provincial Government should be paying for the education of students in Transkei for example because it's being paid out of their provincial budget.

MR. M. MASUTHA: We would differ with that. One national government.....if education is a national competence or a competence of the national government, we are of the view that the students in the Eastern Cape should not suffer because.....the Northern Cape to be more precise which has missed out on the bulk of the industrialisation in the country and therefore the revenue resources. Because the bulk of the Northern Cape is a desert and with less economic activity and therefore less income or less revenue generation activity, we are of the view that they should not suffer.

In fact, we are of the view that if one as an economic or urban Geographer myself, I look very carefully at the financial and socio-economic interdependence between say rural provinces and urbanised provinces. In a sense, if one looks at the financial flows between townships and villages, one would see that actually villages support townships and townships support villages because these are the same people who are migrating in the form of migrant labour. And therefore.....it is actually mine workers from Limpopo and KZN who are mining somewhere in Gauteng for example and therefore to say you are mining in Gauteng generating this profit but it cannot be used to fund students or your own kids in your own rural province, to us would be unfortunate and therefore we argue against it.

And that all monies that are made by this country must be used to take all South African students to school regardless of where that money was made - that is the rationale we used to arrive at this suggestion. Suggestion number two on the sources of funding has been widely acknowledged in that we propose that we increase the Skills Development Labour by 2% and this would generate according to the member of my team with a better understanding of numbers - 27 billion rand towards the proposed National Skills Development Fund. We further propose.....

ADV. T. MABUDA: Mr. Masutha – before you proceed. In terms of this recommendation, we've been told that this is problematic in a sense of the skills development levy itself its design is not for the funding of students, it's for work place skills development. So how do you divert these funds from work place skills development to the funding of students?

MR. M. MASUTHA: We are of the view that the skills development levy proposal is not problematic at all. In fact, the rationale behind the skills development being earmarked especially exclusively for in-service training of employees themselves was amongst other reasons to further skill the labour workforce that is already in those industries. And we are saying these industries benefit significantly from the very output of these institutions and therefore reserve the funds that they have to those who are.....to their employees is problematic.

But also in a.....and I cannot over emphasize this.....in a country with a bulk of a population under the age of 30 it is problematic to say we have earmarked these funds for skilling your mother or your father who works for us and therefore we can't be skilling his or her children. We are vehemently and fundamentally opposed to it because of those reasons. But also.....you know we are really coming at this 2% and I would consult with the numbers guy, but we arrived at this 2% mainly looking at what would be needed to fund students in the system as it stands. In other countries, this taxation is a lot higher. In Nordic countries for example, this level of taxation is so high and as a result they've got a very socially just or a relatively and reasonably socially just society when compared for example with us with

a Gini coefficient of 0.7. That would be our response to that suggestion or to the contention against this issue

JUDGE J HEHER: Surely the levy is high in those countries because there is no Gini coefficient similar to us. It doesn't mean that you can impose the same principle on us because we have a Gini coefficient which is so different

MR. M. MASUTHA: In fact the opposite is the case in our.....we are arguing that we have this Gini coefficient because not enough has been spent in skills development. We are one of the most unequal societies today because with an increasingly modernised, less industrialised and increasingly modernised economy, high skills demanding economy, the bulk of our people are now unable to get jobs and therefore unable to participate in the economy or become economically effective. And our view is that....yes we have the current levels of inequality because of the abolishment- post cold war during the emergence of the neo-liberal globalised economy which was increasingly service based, and increasingly modernised, and increasingly demanding high tech skills - we did not throw sufficient, despite growing at about 7% of GDP, at the time of a booming of these industries - we did not throw sufficient money into skills development and as a result the bulk of our population is left at the bottom, and it is on those reasons that we would then now want to do what should have been done at the beginning of 1994.

MS. L KHUMALO: Sorry the use of the National Skills Development Fund - is it intended biased towards the skills fund currently as it is or it's lack of a better word could be any fund?

MR. M. MASUTHA: I would say the latter is the case.....I just came up.....in fact the operative word there was National - just National; in that emanating from the suggestion that all monies must be put in one national financial aid programme.

MS. L KHUMALO: So reference to that doesn't speak to the skills as it stands now.

MR. M. MASUTHA: No, not at all.

JUDGE J HEHER: You said you have a broader educational direction

MR. MASUTHA: Yes Commissioner I did.

ADV. G ALLY: Before you leave this. The question by Mr. Mabuda is going more to.....presently the Act makes provision for the use of monies from the Skills Levy for a certain purpose. I would have expected your answer to have been: irrespective of what that Act says now, your proposal says because we need to educate our communities, that the Act needs to be changed somewhat. But you have gone more into philosophical answer than how it can be done. Because you can't just say: take that money and use it elsewhere. Legally that can't be done. So are you proposing that where there are stumbling blocks, legislatively those stumbling blocks be taken away by amendments?

MR. M. MASUTHA: Thank you very much Commissioner. I must say that despite holding strong views about the higher education sector - we are also here to learn. And the succinct manner with which you

have outlined what should have been a response; it's actually what I meant. I just assumed coming here, coming out of this commission given the role and the magnitude of this Commission, I took it for granted that we are going to change lots of legislations to restructure and reform everything. But I must say that what you have said is definitely a lot clearer and possibly a lot more helpful way of saying what I meant in response to the question earlier.

ADV. T. MABUDA: Just before you proceed. Another challenge that has been pointed out in this Commission regarding the increase because this is not the first time we've seen this. There was a proposal from.....I think Wits SRC where there was a proposal for the funding of fee free higher education. The increase in the skills levy was one of the proposals.....in essence the difficulty is that this is not a tax, this is a levy on the salaries of the employees. So in order for you to get access to these funds, you are going to have to bypass labour organisations. How do you foresee bypassing labour organisations?

MR. M. MASUTHA: Yes I must say that our suggestion on an increased levy towards skills development refuses to be limited to the current nature of the skills levy as it's constituted, justified or implemented. In fact we are proposing that.....I was listening to a presentation earlier about how for example certain funds are deducted from employees when they apply for funds to study or loans to study. That is not what we are referring to at all - in fact we are saying that.....in how I understand it and how I propose it, is that there must be a skills levy or some form of a levy that is not from employees not extracted from employees, from employers. From employers or business owners or anybody who employ individuals and that money must be used to skill the younger population. So we're not saying money must be....we are not towing to the line or the current composition as it is understood levy or implemented right now.

JUDGE J HEHER: Any legislation of this nature would have to go through NEDLAC, which means organised labour and organised Management.

MR. M. MASUTHA: Yes and Commissioner I would struggle to understand why labour - representative of employees whose children can't afford higher education, would even be anywhere near opposed to that idea. Moving to the socio-economic which I must say it's the last two pages of our presentation and the last section of our presentation....In line I think the second last set. The social economic and financial implications of introducing fee free higher education.

ADV. M. LEKOANE: Sorry Mr. Masutha sorry to interrupt you. But If I can take you back just a step. Would you give us the rationale for the 2 percentiles that you refer to in all your paragraphs from 2.2, 3 and 4? Why is it all increasing by 2% in particular?

MR. M. MASUTHA: Well in fact the 2% is not particular.....I can see I jumped 4.3, 4.4 as well as 4.5. Thank you for that.

ADV. M. LEKOANE: So you see there at 2.2, you propose an increase in the levy by 2%. At 4.3 you propose to increase the corporate tax by 2% and 4.4 is the same by 2% in respect of.....

MR. M. MASUTHA: That's correct.

ADV. M. LEKOANE: So just to get an understanding as to why 2%

MR. M. MASUTHA: It has less to do with a percentage and more to do with the amount that comes out when increased by that particular percentage. And when we looked at.....what we would.....in the next section where we will speak about the possible cost implications of introducing a fee free education - It will now all make sense.

ADV. T. MABUDA: Just to follow on on of my colleague's question. There is a question that has arisen in this Commission on several occasions. If this 2% or either in corporate tax or income on top-end earners is implemented, because of this socio-economic situation in our country where there's competing interest in terms of priorities; social grants, health and basic education being one of them. Why should these funds be directed to education as opposed to the other ones?

MR. M. MASUTHA: First I've had the idea of competing priorities in South Africa. And our response would as follows; first if we suggest today....there are 55 million South Africans and out of that 55 million South Africans, every person or every individual must give out every month out of their income that they have R150 rand towards taking.....let's say towards a skills development. So taking youth, both, all post schooling opportunities whether it's TVET or universities. The argument would be why are you further taking away from the poor, that particular R150 and our response would be that: In fact the poor in our opinion, would gladly part ways with that R150 because if we keep the definition of who should benefit from free higher education to that cap that we discussed earlier, in actual, in reality, it is the poor....they know, it is the poor who would benefit from that money when put together anyway.

But most importantly when that R150 is left back in their pocket and not taken away, does not even get them anywhere near a bogus college in South Africa....anywhere near. So even now, we've heard the discussion about competing priorities and I think it's quite an unfair question because young people and I am saying this because I was a student leader myself.

And I remember presenting to the financial committee at Wits University as SRC president being told about the same argument. So South African society has moved quietly with the status quo intact and the soon as we revolt and come up with innovative ways of channelling resources towards post schooling opportunities for the sake of the rest of society, a legal flag is raised called 'competing priorities'. When in fact those priorities, the current unjust state of higher education funding remain constant and in the main largely unchallenged in any meaningful way until we ruffle the feathers.

JUDGE J HEHER: Well Mr. Masutha this is not a legal flag. Competing priorities is a political decision. It's up to the politicians no matter what we say in this Commission supposing we recommend everything that you suggest. The politicians could say we don't regard this as a priority in this case because in our view health is the more important consideration. That's really what you've been asked about.

MR. M. MASUTHA: And my response to that Commissioner would be that I am hoping, praying and believing that this is not an ordinary talk shop, like other Commissions which have established proposals and proposals were left to gather dust. I am hoping and praying that the politicians have resorted to this Commission and these minds to come with something they are unable to address or to respond to. I will

argue that there is a very rationale behind this Commission of enquiry to say it will investigate the best way of resolving the crisis. And therefore I am presenting in this Commission with the flag of the legitimacy of this Commission to insist that for the very legitimate reasons behind the establishment of this Commission. The very recommendations that will come out of this Commission should be treated as such and that's why I am hoping and praying. I know it's not a legally imposing thing even though I am a Law dropout rate. I dropped out; I am not very familiar with the legal ways of doing things.....

JUDGE J HEHER: Mr. Masutha we have the same hope

MR. M. MASUTHA: Okay

JUDGE J HEHER: But all I'm trying to say to you is that in the end it's not for us to say - that's a politician decision that has to establish the priorities. We can tell the politicians that in our view education is the greatest priority and we can say that in the National Development Plan it has a very high priority if not the highest priority, but it's up to the politicians to decide what is most important at any given time

MR. M. MASUTHA: That's correct Commissioner, I understand that. I will go to the social economic and financial implications of introducing fee free higher education. And I would start with a quote, but behind this quote there is a story. That when America was coming from war, the bulk of younger people, war veterans as well as middle aged Americans were struggling to find jobs and there was a serious economic problem in the United States.

Despite its free market orientation and new liberal approach to life in general, President Truman at that time said: if the ladder of educational opportunity rises higher at the doors of some youth and scarcely rises at the doors of others, while higher or formal education is made a privilege for educational for social and occupational advance, then education may become the means not of eliminating race and class inequality, but of reinforcing and solidifying them. And it's against the background of this quote and a little story I told behind this quote, and a very analysis state of the higher education in South Africa that we gave at the beginning that we understand what we think would be the socio economic and financial implications of introducing fee free higher education in South Africa. I also want to add that - - -

MS. L KHUMALO: Sorry Mr. Masutha in your entire reference of proposal here. Are you including the colleges, the adult colleges?

MR. M. MASUTHA: Adult colleges, ABET colleges?

MS. L KHUMALO: Yes

MR. M. MASUTHA: No, ma'am. I don't have intimate knowledge of that structure at all other than knowing that its very existence and I must say that my understanding here and proposals here are limited to University education.

JUDGE J HEHER: Well you did say, I wonder if that was so, but you did expand it to include TVET when you were talking about putting all funds in one skills fund.

MR. M. MASUTHA: That's correct. That's because currently.....well as a foundation we are a big fan of vocational and artisan stream of further education and training and we believe that there is an unfortunate tragedy. Given that we don't have a lot of Universities in South Africa. In fact the supply of public Universities is extremely small when compared to the demand for the very public University education. Universities in South Africa tend to exist as some form of monopoly. And South Africans seem to have increasingly become accustomed to the myth that for their children to escape the shackles of poverty, somehow they must make their way to Wits. And it would be against our commitment and support for Artisan and vocational education if we limit our analysis to just Universities.

But I must say we have tried our best to not present anything to this Commission that we have no facts on or are not properly informed about. And the TVET college system is very big - I think about 300 campuses and I'm not sure if that's correct.....not 300 colleges, but 300 campuses of the TVET and because of our.....because we are not with sufficient facts on that side, I tried to stay slightly far away from it, but although not excluding it completely when I described higher education and training.

MS. L KHUMALO: If Sir, I think if the Department is to prioritise maybe it's something you present later to the Commission with the indulgence of the evidence leaders of course. Because there's also a suggestion that it is a section 29 right as well to have adult basic education and there's an allocation of colleges that's going to come. This is over and above the TVET colleges and then there's Varsities. So we would like to hear how you would like that to be represented in what you presented

MR. M. MASUTHA: Okay

JUDGE J HEHER: There's been evidence that there is a definite attempt being made and large amount of money being pushed from the Department of Higher Education as I understand or the future funding of the adult education. Whether it's properly higher education and training or this is another question, but this is the case, on the basis that there are a large number of students sorry of young people and older people without any education and training who can be trained and made educated citizens. And that can be done through these institutions which are neither universities nor TVETs. But it's still in the planning stages as I said to you

MR. M. MASUTHA: That's correct Commissioner. I think it's particularly spelled out on the latest white paper on post schooling opportunities of 2013 and I think 14. And they are referring to them as community based colleges. My mother is a beneficiary of ABET that's how far I know about it, but I must say that it is not the section of higher education that should be under estimated given its potential impact and its impact and the impact it had in Cuba after the Cuban revolution where they pretty much trained everybody to become a teacher and as a result, the teacher to learner ratio in Cuba significantly reduced which contributed to the quality of their education system. So I would certainly definitely be in a position to do a lot more research on that and If needed we could present our opinion on it. I would progress to

JUDGE J HEHER: paragraph 5.1?

MR. M. MASUTHA: That's correct. The current higher education funding model continues to play a major role in enabling affluent sections of society to transfer a host of social, cultural and economic advantages through generations, whilst achieving the opposite amongst low income households and communities. Should the current higher education funding not undergo bold and deliberate reform, it would not only halt efforts towards the struggle for social justice in South Africa, but would further exacerbate socially unequal patterns of educational attainment across generations. This Commission in our opinion, is entrusted with a rare opportunity at this very moment in South African history to meaningfully correct the ills of the past whilst laying a solid foundation to a more just and human future of this country in its literal sense.

In addition to rampant levels of unemployment, 16 millions of South Africans of social security and 70% of our labour force earning below R6000 per month - over the years the salaries of our mothers and father have been nothing, but stagnant when compared to the ever rising cost of education, food, transport, electric and other basic necessities. The proposed minimum wage of R3500 does not make this case any better. Although that's a complete different discussion altogether, that probably should not have been included in our document.

If this revolving door of poverty and marginalisation is not abruptly disrupted today, the majority of South African sons and daughters would follow on their parent's footsteps of normalised pains and conscious submission to a humiliating economic system. It is for this reason that we argue that the immediate realisation of fee free higher education for the poor and working class students will be the biggest salary increment our parents have ever received in their life time. And this is in line with the example I gave earlier about the poor agreeing to part ways with R150 because its presence or absence in that case will make very little difference, whereas its absence as a result of contribution for the immediate realisation of free higher education which would take their children to school would be of more beneficiary. In fact I one article I wrote a few months ago to the International Centre of higher education studies was that: If you multiply my mother's salary by 10 she still can't afford to take me to Wits. It is through this lens that we suggest the Commission looks at the current higher education funding crisis.

Finally on the feasibility of providing fee free higher education and training...this is another very big witness of mine but I've outsourced the mind of Khaya who is sitting behind me to kind of help arrive at some these kind of figures. And we.....in line with our earlier pronouncement that the current state of higher education funding is inconsistent with the constitution and promised to later justify that at the latter part of this document.

We are of the view that the State currently has the means necessary to make higher education accessible to those from low income households. Now the Nxasana task team and PWC or Price Waterhouse Coopers have estimated the cost of introducing grants and loans for poor....and I put that in inverted commas because we have differed with their understanding of what is working class. But for the purposes of quoting what they said in their document, we included that there.

JUDGE J HEHER: Its R50 billion per annum.

MR. M. MASUTHA: Per annum? That is their estimation. But in our case.....and Khaya thinks this is suicidal of us in this point, but we still arrived at this point doing, and I must justify it. Having accounted for variations in cost between contact and distance students and variations in cost between historically disadvantaged institutions and elite institutions, we arrived at between 35 and R40 billion. However Khaya believes that this could be.....this could backfire because one of the reasons why some of those Universities keep.....the historically disadvantaged Universities keep their cost low it's because they know the calibre and the socio economic profile of the students that they receive in the first place.

MS. L KHUMALO: Maybe your comment just on that because you had evidence from UKZN researcher the other day saying that we need to look at the cost that are portrayed at Varsity with the magnifying glass. Is this flowing from there maybe?

MR. M. MASUTHA: It's flowing from a blanket figure that the task team as well as PWC used of average cost of 90 000 per student across the country and taking R90 000 per student and multiplying it by the total number of undergraduates. And we thought that would significantly off because when variations between distance and contact is taken into account for example I did a quick browse in UNISA and If..... using stats from the Department of Higher Education, of the 800 000 undergraduates, 350 000 could be at UNISA. Already if one was using 90 000 as a blanket multiplier of the total number of undergraduate students, that number would be very off. So we are of the view that because we are arguing for the immediate introduction of free higher education for the poor and the working class, we would like to give a figure. If I can.....

MS. L KHUMALO: If maybe you confine yourself to the cost of study, the cost that the Universities need for that access you talking about- the opening of the doors or something. Do you think introducing free higher education would be possible at the cost that you are in or you feel that the cost can be worked on or be trimmed or something like that at varsity?

MR. M. MASUTHA: We believe the State can introduce free education at R50 billion. That is not a.....we are not trying to help the State or to present a cheaper cost of introducing free higher education. We are just trying to be very honest in details in what we think would be needed immediately in January 2017 - If free education was to be implemented in January 2017. And we are saying we believe by partitioning the cost between contact and distance and historically disadvantaged University and historically advantaged or elite institutions, the figure wouldn't be R50 billion. In fact it would be much less and this is thoughtless of the fact that these figures are being done assuming that everybody is below the 300 000 cut off bracket that we would have advocated for. And we think it can get even lesser and lesser, but I wouldn't want to nail myself to a figure that can possibly be off. So I tried myself to arrive at that figure by partitioning.....by taking 350 000 UNISA students and putting them aside and multiplying them by the average cost of Degree at full cost of study there and then doing the same - - -

MS. L KHUMALO: That's my question - the full cost of study. That's what I am saying, as it is are you saying this is the actual cost of study or do you feel that University can do something to lessen the cost of study?

MR. M. MASUTHA: Oh Okay now I understand your question much more clearly now. Actually we believe a lot can be done to lessen the cost. Lots of free softwares are charged on our fee statements which we can download from the net. Lots of material is sold or books that are acquired, hard copy that could be acquired digitally possibly for free. A lot of things that if you wanted us to compile things shouldn't be in the anatomy of the cost of University fees - the list will be very long. But maybe one that comes to mind which is a particularly significant is food. The cost of food is highly, highly escalated.

It's highly escalated within uniform or a similar clan of service providers who service dining halls. In fact I did my Honours on the prevalence of food insecurity amongst self-catering students on financial aid with the case of Esselen Street at Wits University. And at that time the food stipend that they were receiving -- If I remember the figures correctly, could not.....when you divide their food stipend by three meals a day, couldn't take them half way through the month at that time. In fact at the time and I can make that document available as well. In fact at that time the food stipend had remained stagnant for about 4, 5 years despite rising food prices, but most importantly given the calibre of students that are supposed to meet the NSFAS criteria for qualifying for that money in the first place, it was logical to remember that they would use that money on other things than food.

Now that I remember the exact figure which was about 700 per month at the time when I was doing that quantitative slash qualitative study. We realised that of the 700 food stipend, after taking off the cost of printing and making copies particularly for LLB students. After taking off some cosmetics and toiletries, and taking off other basic things that one would need to live with. On average, a student was spending 300 and R350 on actual food per month. So that would be a way of substantiating why I would think a lot more can be done in my view to reduce the cost. The 90 000 figure which was used was very positivistic in that....It was just a technical number used to multiply the number of undergraduates, having crunched the number or the average as it stands. But In our view, following on you question, we believe that figure could be a lot less when the anatomy of the costing of education programmes in universities is question probed with the idea of lessening the cost while increasing the amount of money thrown into the system.

The introduction of free higher education for the poor and working class is particularly feasible because on the one hand, the bulk of the poor constitute an overwhelming majority in relatively cheap historically disadvantaged universities and an absolute minority at elite and relatively more expensive Universities. When the idea of Universities being at liberty to increase the fees by possibly 8% and the 8% only apply to students who are beyond R600 000, the University of Venda for example simply said: well that conversation does not apply to us because we don't have those students who are from households above R600 000

Commissioner as I'm making this example, I've remembered that the issue of 1% number of taxpayers may need to be contextualised because it refers to the number of taxpayers and not household income. So it's counting taxpayers and not overall size of household and if not contextualised could definitely be problematic as you've flagged it earlier. But again there is someone behind me who will help me with that, so that for future writing we contextualise that as well.

That would be the end of our presentation and we would like to really thank everybody for this opportunity. We are presenting here because we believe this Commission is a buffer between the status quo and the future socio-political stability of this country and its national security interest. Thank you.

JUDGE J HEHER: Thank you Mr. Masutha you've given us a lot to think about. Are there any further questions from the Evidence leaders?

ADV. T. MABUDA: Not from us Chair.

JUDGE J HEHER: Thank you very much indeed

MR. M. MASUTHA: Commissioner we heard that there was food. We just want to verify that point.

JUDGE J HEHER: I don't know gentlemen.

[laughter]

INDISTINCT SPEAKER: We'll talk outside

MR. M. MASUTHA: Oh okay thanks. It was one of the motivators for coming.

[end of presentation]