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SET 6 - DAY 4

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

PARTIES PRESENT:

The Chairperson
Commissioners
Head of Evidence Leaders
Evidence Leaders
Experts
Secretariat

WITNESSES:

Commissioner T. Maruping - UIF
Ms C. Fourie – UIF
Ms. E. Ziegert – Embassy of Federal Republic of Germany

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SESSION 1 – 9 FEBRUARY 2017

ADV. K. PILLAY SC: Mr Mabuda is leading the evidence Chair.

JUDGE: At this stage we swear the witnesses in, I am obliged to ask you whether you have any objection to taking the oath?

5 COMMISSIONER T. MARUPING: No objection.

JUDGE: Are you going to speak or are both of you going to speak?

COMMISSIONER T. MARUPING: Both of us Chair.

JUDGE: Alright will then I will swear both of you in if you do not mind. Mr Maruping, Miss Fourie do you swear that the evidence that you will
10 give in this enquiry 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.

COMMISSIONER T. MARUPING: [d.s.s.]

MS C. FOURIE: [d.s.s.]

JUDGE: Thank you very much. Yes Mr Mabuda.

15 ADV. T. MABUDA: Thank you Chair. Mr Maruping just to, Mr Maruping just for the record could you please indicate to us what your position is at the UIF?

JUDGE: Excuse me one moment, Gugu can you just get me a pen please, alright thanks. Yes Mr Maruping what is your position at the
20 UIF?

COMMISSIONER T. MARUPING: I am the Commissioner at the UIF Chair.

JUDGE: How long have you been Commissioner?

COMMISSIONER T. MARUPING: From 1 December 2016.

JUDGE: Young in the job.

COMMISSIONER T. MARUPING: Very, so I am hoping the commissioner will be very kind to me with the questions.

JUDGE: Oh yes we have no intention but to be kind thank you. Yes Mr
5 Mabuda.

ADV. T. MABUDA: Thank you Chair. Chair Mr Maruping has prepared a presentation for us in relation to the UIF, we ask Mr Maruping to proceed with his presentation and Mr Maruping will take questions as and when they arise. You can proceed with your presentation sir.

10 COMMISSIONER T. MARUPING: Thank you Chair and the commission for inviting us to come and talk to you about the UIF. Just as a way of introduction I am with Christine Fourie she is a director investment at UIF, she is personally responsible for our investment portfolio but she is also have a diverse experience in as far as the financial position of the
15 fund is.

JUDGE: Yes I see that she is the director of actuarial services?

COMMISSIONER T. MARUPING: Yes.

JUDGE: Who is your actuary?

MS. C. FOURIE: Thank you Chair, our actuary for the past 6 years have
20 been QED Actuaries.

JUDGE: QED.

MS. C. FOURIE: Ja QED.

JUDGE: And do they demonstrate it or not?

MS. C. FOURIE: Yes they do.

JUDGE: Yes.

MS. C. FOURIE: Currently we are In the tender process to reappoint because their contract has expired so we will have new actuaries for this financial year.

5 JUDGE: I see and can you while you are about it also tell me who are the auditors of the fund?

COMMISSIONER T. MARUPING: South African Auditor General.

JUDGE: I see thank you. Yes would you like to proceed thank you.

COMMISSIONER T. MARUPING: Okay I think Christine has been
10 introduced then myself is Teboho Maruping appointed commissioner from 1 December and before then I was the chief director operations at the fund.

JUDGE: For how long were you that?

COMMISSIONER T. MARUPING: At the fund?

15 JUDGE: Yes how long were you chief director?

COMMISSIONER T. MARUPING: For two and a half years.

JUDGE: I see thank you.

COMMISSIONER T. MARUPING: Yes and before that I was at
Government Pensions Administration. In terms of the presentation Chair
20 I am going to cover, we are give the commission a bit of background about UIF, what governs UIF, the legislative mandate, we will also give the commission a bit of background around our investment portfolio so at least the commission can understand what the UIF does with the funds and then we will also answer the questions that were sent to us. And

also a bit on the new development in the fund about the UIF Amendment Bill and what the impact of that would be. And then also some proposals because there was a question around is it possible for us to assist in this situation that the country is facing at this stage, we will address that at a
5 later stage. We will be sharing the presentation myself and Christine, I will allow her to talk on the investment piece so that at least the information flows for the commission.

JUDGE: Yes.

COMMISSIONER T. MARUPING: Thank you. In terms of our legislative
10 mandate Chair we are governed by two legislation, the one is the Unemployment Insurance Act, this Act in the main touches on the establishment of the fund and how the fund should function from the board to appointment of personnel, it also describes exactly where the fund, the application of the Act itself in terms of payment of benefits in
15 terms of the Act and also reimbursement of excess contribution to employers and also the payment of remunerations and allow its members of the board and its committees or any other expenditures that will help us to execute what is depleted in the Act.

Then you also have the UI contribution Act, in the main the
20 Contribution Act speaks to how we collect contributions for the UIF. The contribution that speaks to the 1 percent that the employers must contribute and the 1 percent that the employees contribute towards the fund and how UIF as an organisation collects this fund and use them for the purpose that has been created for. We also touch on how we
25 contribute towards the National Development Plan as UIF our main

driver is outcomes 4 and outcomes 12 and outcomes 13, in terms of employment through inclusive economy, outcomes 12 and efficient and effective development oriented public service and an empowered and inclusive citizenship and also an inclusive and a responsive social protection system, that is our contribution as it speaks to the national development plan.

And then UIF of course have four key strategic objectives which is to improve our financial position so that we remain sustainable as an organisation and we can continue to contribute towards the South African public, also improve service delivery, improve compliance and fund poverty alleviation schemes, I will touch on these also as I continue with the presentation. I have also attached as part of the presentation just to give the commission a feel of what the vision, the mission and also the values that govern UIF and on the work that we do. I am not going to dwell on much on that but I think the commission may have gone through the presentation but should the need arise I can also spend some time on those.

We also have a footprint across provinces, our footprints it covers all the 9 provinces with 125 labour centres, these labour centres also support 820 visiting points so that we increase our accessibility to the public.

JUDGE: These labour centres are they the UIF labour centres or are they centres established by the Department of Labour for a multitude of uses including the UIF?

COMMISSIONER T. MARUPING: It is the second part, it is set up by the

department to cover all the operations of the department.

JUDGE: I see.

COMMISSIONER T. MARUPING: UIF is part.

JUDGE: Thank you.

5 COMMISSIONER T. MARUPING: Okay thanks Chair. Then we will move to financial position, this is the question that was raised that where are we sitting as UIF in terms of our position, currently we are sitting at R120 billion which is made up of an accumulative surplus of 98.5 billion plus technical reserve of 21.62 billion.

10 JUDGE: Now that was in March last year, it is nearly March this year.

COMMISSIONER T. MARUPING: Yes.

JUDGE: Yes and how much would you expect to have in March this year.

MS. C. FOURIE: Thank you Chair, ja currently as at 31 ...[intervenes]

15 COMMISSIONER ALLY: Whenever you come on to speak please give your name so that the transcribers can get who is speaking and when and when you go back to you Mr Maruping you just put yourself on record again.

COMMISSIONER T. MARUPING: Okay.

20 JUDGE: Just say Maruping.

COMMISSIONER T. MARUPING: Okay.

JUDGE: So that they know because they might not recognise the voices you see.

COMMISSIONER T. MARUPING: Perfect.

JUDGE: I am sorry, Miss Fourie.

MS. C. FOURIE: Thank you commissioner apologies for that, it is Christine Fourie speaking, yes currently at 31 December our balance in the portfolio is R129 billion because of the economic downturn we have, 5 the portfolio has decreased a little bit from October to December but we are going to already December looks better than November so the portfolio is picking up again so as at 31 December the portfolio value is R129 billion.

JUDGE: So your investment return on your investments is something 10 like about 10 percent?

MS. C. FOURIE: Yes Chair it is about 10 percent.

JUDGE: Thank you, yes righto.

COMMISSIONER ALLY: Before you go ahead Mr Maruping you described these centres across the provinces across the country, in 15 those particular centres, how many officials do you have in those centres if at all or is a technology system that you have that does your work for you or you have officials in these centres also and how many?

COMMISSIONER T. MARUPING: I think in total and it is an estimation, we have over 3000 across but these officials they do a multiple of tasks 20 as the Chairperson had mentioned earlier, they cover UIF and other Department of Labour work but 75 percent of what they do is UIF given the number of people who comes in the centre.

JUDGE: Well can I put the question slightly differently.

COMMISSIONER T. MARUPING: Okay.

JUDGE: How many employees does the UIF have or do you not have employees, do you just simply have Department of Labour employees?

COMMISSIONER T. MARUPING: It is a twin tower question, employees at the Department of Labour when we are all employed we are employed
5 as the Department of Labour employees and then we are assigned to UIF, we are assigned to Compensation Fund and different portfolios but employees that are assigned to UIF at office at this stage we have over, in our structure it is 630 for Head Office in total and then we have footprints of course in provinces, there is a division, there are people that
10 are hundred percent UIF across the provinces and those people they do hundred percent UI work.

COMMISSIONER ALLY: Yes and the estimation of the hundred percent UIF is how many?

JUDGE: In other words how many people would actually recognise the
15 ideals of the UIF which you have set out and described to us as their ideals, somebody who works shall we say just in the Department of Sport would not care what your ideals are, not everybody in the Department of Labour presumably would but how many people would recognise this mission statement as there mission statement.

20 COMMISSIONER T. MARUPING: Yes, okay we have that 630 at Head Office, in provinces I would say about 800.

JUDGE: So we are talking roughly 1500.

COMMISSIONER T. MARUPING: About 1500 yes.

JUDGE: Right, yes thank you.

COMMISSIONER T. MARUPING: Welcome back to this slide again when we break down other financial pieces.

ADV. T. MABUDA: Mr Maruping just before you proceed, on the previous slide you have indicated that all investments but the UIF are
5 according to the fund investment mandate, what informs the investment mandate of the UIF, is it only the Act or are there other regulations that determine what you can invest the money in?

COMMISSIONER T. MARUPING: Okay I am going to slightly touch on the question but we have an investment slide that we are going to be
10 touching on, in those slides we will break it down further but what I can just say upfront now, our investment portfolio is run by the PIC and when they run the investment portfolio we give them a clearly defined investment mandate that they must follow but it is part of the presentation later on.

15 ADV. T. MABUDA: The question was whether is this determined by the Unemployment Insurance Act or is this determined by the board, the mandate?

MS. C. FOURIE: I think I am the ideal person to answer your question, the PFMA regulates us to say that all our surplus funds needs to be
20 surrendered but we got exemption from National Treasury to invest with PIC for the fact that PIC is appointed as our asset manager as per the UI Act so we cannot invest in any other asset manager but the PIC.

ADV. T. MABUDA: Thank you, you can proceed.

COMMISSIONER T. MARUPING: We also have, we wanted to give the
25 commission a feel about the revenue we received over the past couple

of years starting from 2007 up to 2016, in simple calculation we have been receiving from 2007, 2.8 billion in terms of revenue and it has grown over the years to 17 billion in 2016 and within the same period our benefit payment has risen from 2 billion up to 7.69 billion and you can
5 see by 2016 there is a 10 billion fund that remains at the end of each financial year but also what I want to bring to the attention of the committee is, there is also other costs that we need to consider, we have added this light here just to show that we also have the administrative cost and also payment, when we look at benefit payments and also
10 administrative and other operating expenditures so we are looking at between 5 billion and 10 billion in the same period that by 2016 our cost overall amounting to 10 billion but we still have 7 billion left at the end of each financial year.

JUDGE: Well I must say I find that quite extraordinary that you get
15 contribution of 17 billion and it costs you 10 billion to run the fund, that is hardly a great return, on that basis more than half of your income goes in expenses but we will come to that because we would like to canvas it in some detail but what one does see from this particular slide number 2 is that at no time, I beg your pardon, once only did the benefit payments
20 exceed 50 percent of the contribution revenue, yes.

COMMISSIONER T. MARUPING: Yes but Judge, Chairperson I also need to, we need to be cognisant of the fact that we invest.

JUDGE: Oh yes certainly.

COMMISSIONER T. MARUPING: So as we invest we have return on
25 investment and when you invest a billion the returns are much higher,

Christine indicated earlier we move from 121 end of March, by December we are sitting at 129, already that it shows an increase.

JUDGE: Yes.

COMMISSIONER ALLY: As the Chairperson says we will come back to that, proceed with your presentation, there are certain technicalities around what you have presented there and we will deal with them at the appropriate time.

COMMISSIONER T. MARUPING: Okay thank you. And then we also wanted to give the commission a feel of our contribution towards Unemployment Alleviation Schemes, in the past, this scheme was implemented in 2010 it is a new scheme, from 2010 up to now we have already committed about half a billion, when we speak to 2016 and also we have committed 0.81, over 810 million, this is now our contribution towards unemployment schemes that contribute towards returning people at work and also in this space we have not spent as we would like to because we started as a proof of concept and also want to go aggressive and spend more, as the economy becomes unpredictable and people start to lose jobs and company gets in distress the expenditure in this space may increase and change and we could be spending more.

JUDGE: Can you just explain what an Unemployment Alleviation Scheme might encompass?

COMMISSIONER T. MARUPING: For example we have our training layoff schemes, with training layoff schemes if a company is in distress and for some reason they believe they may have to shut down or they

may have to train some of the employees, they go via CCMA and they apply for rescue and CCMA look at the, if they meet a specific criteria, if the criteria is met they are able to assist this company's and it comes to us we have one company that we have spent about 60 million to assist
5 them to rescue so that we can keep people at work and keep the company going.

JUDGE: So it relates to company's that are under business rescue?

COMMISSIONER T. MARUPING: Yes.

JUDGE: And it is done through the medium of the PIC?

10 COMMISSIONER T. MARUPING: No the CCMA.

JUDGE: CCMA I beg your pardon.

COMMISSIONER T. MARUPING: Yes.

JUDGE: Sorry, yes alright fair enough.

COMMISSIONER ALLY: Right if you can just clarify for me, firstly we
15 call it schemes, how many schemes do you have, secondly you indicate there is training I forgot what you said in between that, if you can articulate that, these company's that you are talking about. Now the clarity we seek is the business rescue of these clarify company's, are those training company's in the business of employing people or are they
20 training and what are they training them for as opposed to what the Tvet's are training, so if you get me, if you do n to then ask for clarity but around that if you can respond please.

COMMISSIONER T. MARUPING: Okay I think let me clarify first on the issue of the schemes because maybe that is where I might have

confused the commission, we have three schemes, we have labour activation programs, we have training layoff schemes, we also have Turnaround Solutions, the one I was speaking about earlier on is our training layoff schemes, training layoff schemes ...[intervenes]

5 COMMISSIONER ALLY: Training what schemes?

COMMISSIONER T. MARUPING: Training layoff schemes.

JUDGE: Training level?

COMMISSIONER T. MARUPING: Training layoff.

JUDGE: Oh training layoff I beg your pardon.

10 COMMISSIONER T. MARUPING: Training layoff schemes yes.

JUDGE: Oh.

COMMISSIONER T. MARUPING: Now with training layoff schemes, let me give a hypothetical example, let us say BMW as an example, they say we are going to change our models, which they often do, now we
15 have a new model but then with this model it requires a different kind of skill, the kind of people that we have in our business now are no able to do this, to manufacture this new product, we have an opportunity to lay them off and get skills from outside but we do not have the funds to train them and then they come to UIF and say but can you assist us so that
20 we get these people trained and we do not lose them or we bring skills from outside so that we avoid the retrenchment please, so when they come to us they apply, we say okay we want to keep these people employed because we do not want to lose their skills so we fund that training, we also help them with salaries, a certain percentage of salaries

that we pay and then they get trained into the new product and they get retained at work and they continue working, in that way UIF is also able to seek income via the same employees.

JUDGE: I am sorry I do not quite understand in the light of what you
5 have said what the blue represents as against the red in this diagram, the blue is described as Unemployment Alleviation Schemes now I would assume that means those blue sections show the amount of money that has been devoted to the schemes, is that what it means?

MS. C. FOURIE: Thank you Chair, yes the blue means that, and this is
10 the funds that we actually distributed on the specific projects, the red means this is the funds that we have committed to the specific schemes.

JUDGE: Well I hear what you say and I think I understand what you mean but so what this shows that at no time in the past seven years since this project was initiated has as much as 100 million been actually
15 devoted to a scheme in a year.

COMMISSIONER T. MARUPING: It is true.

JUDGE: The most appears to be about 90 million, would that be, that would be right would it, but in every instance you have a commitment to contribute or almost every instance you have a commitment to contribute
20 considerably more, now why is it that the commitment does not approximate to the scheme, the cost of the scheme?

MS. C. FOURIE: Yes commissioner we have been experiencing a lot of challenges on our labour activation program and it is currently In the process of being restructured, our main challenge that we had to date
25 was the legal agreements that we have with these institutions but we are

trying to resolve it and to get the funds where they need to go when they are needed and not two or three years delayed.

JUDGE: You see take 2016 you committed half a billion rand but you only spent 83 million I think, 81 million is it.

5 COMMISSIONER T. MARUPING: 81.

JUDGE: 81 million now that is a huge discrepancy.

COMMISSIONER T. MARUPING: Yes, I think just to further clarify when one of the challenges we are facing currently is, company's apply for example training layoff schemes, we have funds available but they are
10 not meeting the requirements because some of the company's they take chances, they want to find ways to use the same funds for other things and when you do your due diligence and you do your cross checks there are gaps and we are not able to spend even though we have now money put aside to spend for the program.

15 JUDGE: When you commit funds for example the half a billion, was that something that is done as part of the budget for the financial year, do you say for this financial year we are prepared to commit half a billion rand to this activation?

MS. C. FOURIE: Yes Chairperson that is exactly what we do, it is only a
20 budgeted figure.

JUDGE: I see so it does not, it is not necessarily directed to the schemes that will come up you have to adapt that budgeted figure according to what you required during the year.

MS. C. FOURIE: Yes Chair that is exactly what we do.

JUDGE: I understand thank you.

COMMISSIONER T. MARUPING: Okay should I continue on top by the other schemes Chair.

COMMISSIONER ALLY: Well in respect of your legal you say there is a
5 legal scheme.

COMMISSIONER T. MARUPING: Labour activation sorry Chair.

COMMISSIONER ALLY: Labour and not legal.

COMMISSIONER T. MARUPING: Labour activation program.

COMMISSIONER ALLY: Labour activation program.

10 COMMISSIONER T. MARUPING: Yes.

JUDGE: And it is in respect of that that the commitment is made, yes.

COMMISSIONER ALLY: Well how is that different from the training layoff scheme?

COMMISSIONER T. MARUPING: Yes I can explain that Chair, the
15 difference with Labour Activation Scheme is with the Labour Activation Scheme it now touches on a relationship with Tvet's, we saying as UIF now that all the people who loses their jobs we want to retrain them and reintroduce them back into employment so we agree with different partners, for example let us say we will have an agreement with Public
20 Works and Public Works will say we need, they will need people electricians we are going to fix the electricity or they will need cleaners and then as UIF we will say we have people that are unemployed we will train them and then Public Works can absorb them and that is how that relationship will come into play or for example with the Department of

Minerals and Energy, I am forgetting the department but they are going to be installing solar geyser across the country but then they do not have the capacity, they have an opportunity for installing solar geysers, we have the people who are unemployed that we can train so we partner
5 through the labour activation program, we train the unemployed UIF who lose their jobs on solar geyser installation and maintenance and then they get plugged into implementation or installation of solar geysers.

JUDGE: Right now where in this graph, if I can call it that, are the funds spent on that reflected?

10 COMMISSIONER T. MARUPING: Is the 81 million.

JUDGE: That is the blue is it?

COMMISSIONER T. MARUPING: Yes that is the blue.

JUDGE: Thank you I understand.

COMMISSIONER ALLY: Now just to get clarity on that very, on the
15 aspect of the labour activation in respect of people that are unemployed, do I hear you correctly to say it is only those that have become unemployed that benefit from this particular activation scheme or has the UIF considered new applicants that are coming out of matric into Tvet to supply the market with whatever is needed, so let me repeat.

20 COMMISSIONER T. MARUPING: I understand.

COMMISSIONER ALLY: Sure?

COMMISSIONER T. MARUPING: Perfect. Our approach with this agreement Advocate Ally, I hope I am pronouncing it correct, our approach when we for example have an MOU with Merseta as an

example, our agreement with them we say we have a 100 million project, we are going to find 50 million they will find 50 million, from the 50 million that you find the 50 million will be hundred percent, people who have lost their jobs who are contributing to UIF, the other 50 percent will be people
5 what are coming from the public, anyone who may require to be reintroduced back into the market so the two of us contribute for the two opportunities.

COMMISSIONER ALLY: Okay so that in my mind takes care of the labour activation, your turnaround scheme?

10 COMMISSIONER T. MARUPING: Turnaround Solutions

COMMISSIONER ALLY: Yes.

JUDGE: Is that not unemployment alleviation?

COMMISSIONER T. MARUPING: Which one sir?

JUDGE: What you have just described.

15 COMMISSIONER T. MARUPING: The labour activation?

JUDGE: No what you have just described about working with the Seta's to train people who have lost work, is that not unemployment alleviation?

COMMISSIONER T. MARUPING: It is.

JUDGE: I see okay thank you.

20 COMMISSIONER ALLY: Well the last one there were three schemes, the last scheme is Turnaround Solutions.

COMMISSIONER T. MARUPING: Turnaround Solutions the difference with training layoff schemes is a company would come o, we have an institution within the Department of Labour called Productivity South

Africa, we have partnered with them as part of our mandate also to raise, it is also part of company rescue but this time around a company would apply and they will say to us we are not breaking even in our finances, our expenses against, they are not breaking even and maybe they want
5 to shut down possibly and you say but maybe you do not have to shut down you may have to redirect your company to a different market instead of shutting down completely and we help them also to redirect the company towards a different direction instead of shutting down and retrain them in a new direction.

10 JUDGE: Do you charge for these services?

COMMISSIONER T. MARUPING: Yes we do.

JUDGE: What do you charge, how do you charge?

COMMISSIONER T. MARUPING: Turnaround Solutions or Productivity South Africa they have their own rules on how they charge, what we do
15 we cross check their report and make sure that they have spent our money correctly and they have invested in the right area but I will allow Christine just to add.

MS. C. FOURIE: Thank you Chair, yes what we also do is there is criteria that Productivity South Africa must meet before we fund them
20 and that is also a control measure that we have in place but then the arrangement between them and the company that they are responsible to monitor, they just report back to our board on that.

JUDGE: Would I be correct in thinking from what you have said that against these blue blocks one could offset income received in other
25 words the remuneration for the services that you have rendered.

MS. C. FOURIE: Thank you Chair I think from what we understand is there is not really a huge financial return for the fund on the blue blocks the impact there is more of a social nature.

JUDGE: I thought you charged, presumably you charged some sort of
5 commercial rate?

MS. C. FOURIE: Yes, it is not commercial, we sacrifice some of our return for the social impact so and as well as the fact that it is a sister department of Department of Labour we read and negotiate the rate.

JUDGE: Is your income from those services reflected anywhere in all
10 this?

COMMISSIONER T. MARUPING: Just to clarify, our role with Turnaround Solutions is to rescue this company's so when we invest we invest in the rescue and Productivity SA as they are within their model they charge the company's for the service they provide.

15 JUDGE: Sorry what is the relationship between UIF, Turnaround Solutions and Productivity SA?

COMMISSIONER T. MARUPING: Turnaround Solutions is within Productivity SA.

JUDGE: I see.

20 COMMISSIONER T. MARUPING: They do, they have a bigger mandate.

JUDGE: Where is Productivity SA located?

COMMISSIONER T. MARUPING: As in, in the building they are located within the Department of Labour.

JUDGE: I see, I see alright.

COMMISSIONER ALLY: And this is where I want clarity from, so you have schemes, three schemes, you have your Labour Activation Scheme, you have your Turnaround Solution scheme, I mean your training layoff scheme and now the Turnaround Solutions scheme, you then say that this Turnaround Solutions scheme is aligned to Productivity SA is some entity, I am not sure and I would like to know what Productivity SA is, is it a company of the Department of Labour what kind of entity in terms of PFMA, is it audited also by the Auditor General because you see when you say they charge does that mean they keep the money with them and therefore does not form part of your blue box yet you have given the money for that particular purpose so just clarify that part please.

MS. C. FOURIE: Thank you commissioner, yes they do form part of us and what I can maybe clarify is the blue box on our graph is an expense for us so if you look at our financials there is no return coming back to the fund so Productivity SA will, the service fee that they charge is the fee that they keep within Productivity SA, it is not clawed back by the fund so it is not an income on our side so every, all the items on the blue blocks that you see there is the pure expense for the fund, there is no return back on that, the return that we expect back is the social return of turning around the company, saving the jobs, getting the guys skilled and trained.

JUDGE: Thank you for explaining that.

COMMISSIONER T. MARUPING: Okay there was another question about the nature of Productivity SA, Productivity SA is the same nature

as CCMA and Netlac, they are part of the Department of Labour that has been set up to drive different mandate within the Department of Labour. They also have their own independent auditor that audits their books.

JUDGE: Thank you.

5 COMMISSIONER T. MARUPING: Chair I am going to hand over to Christine now to walk us through the investment portfolio.

MS. C. FOURIE: Thank you Chair. I think my first slide just wants to break down the surplus for you, the 120 billion as at 31 March and we are specifically working on 31 March figures because of the fact that they
10 are audited and reliable. On the slide you can see that the bulk of our portfolio is currently invested in bonds and you will also note that the bond durations, our bonds are all long term, they are three years to 25 years so we do not have short term bonds. Then we have also got a portion in listed equity, we have got a portion in cash, we have got a
15 portion in money market instruments and developmental instruments and I will elaborate on developmental instruments when we get to that slide.

JUDGE: Why do you keep so much in cash?

MS. C. FOURIE: Chair for a business operations and at this stage we will also busy with implementing new developmental instruments that
20 were going to be implemented on March and that is why it looks funny on 31 March but we were reserving or holding it on to cash so that comes 1 April we can just transfer it to that specific project, it is not the norm, it is not the norm.

JUDGE: Yes.

25 MS. C. FOURIE: The norm is that we get the funds that we earned from

contributions to cover our operational expenses on a monthly basis and then we transfer that surplus to the portfolio but in this instance as at 31 March we just reserved a little bit more on this trading account so that we do have the funds available for the implementation of the projects in developmental instruments that were implemented in April. On the slide I have given you the table as well with the figures because the graph just gives you the percentages to work with.

Then on my next slide I have just given you a breakdown of the liquidity of the investment portfolio, you will see that 63 percent of the portfolio consists of non current assets and then 37 percent consists of current assets, I would also then just like to elaborate to say that this is as per the financial statements, the financial statements regard current asset as any instrument that is with a duration less than 12 months and any asset with the duration longer than 12 months is regarded as a non current asset however if you look at an investment instruments liquidity does not really, is not really linked to the duration because if I have my listed shares I can trade them fairly easily in the market therefore they are regarded as liquid but the funds objective with listed equities, the funds mandate does not make or does not allow for speculation so when we buy listed shares we do not trade actively in them we buy to hold according to a strategy so even though listed equities may be regarded as liquid for the fund they are not, they are reflected in the financials as liquid because of their nature but we buy and hold so 30 percent of our mandate is allocated to listed equities and therefore actually you have to deduct that 30 percent from this 37 percent so actually only 7 percent of

our portfolio is really liquid that we have in current assets.

COMMISSIONER ALLY: Perhaps you can educate me again, you indicated that your surplus you are supposed to surrender however Treasury has given you leeway in order to invest that surplus and that
5 surplus can only be invested in the PIC, now when you say that you buy shares and hold them do you mean that the PIC does this on your behalf as managers of your portfolio, is that how it works?

MS. C. FOURIE: Yes Chair that is how it works, we do not trade inhouse we supply, inhouse we compile the mandate for PIC and the strategy and
10 we hand it over to them and they execute so they physically trade. They are also our middle man between us and all the asset managers that they trade with. The mandate that we give them is also based on a lot of studies that we do so we do check the funds liquidity, future reserves that we have to take into consideration when we need to pay benefits,
15 we do an asset and liability matching so we take the solvency ratios of the fund, we take all of those things into consideration before we draft this mandate.

COMMISSIONER ALLY: Thank you.

MS. C. FOURIE: Thank you Chair and then if I move on to the next
20 slide, the next slide then gives you a breakdown of the distribution of capital market instruments and here you will see that 79 percent of our portfolio is invested in government bonds, 18 percent is parastatal bonds and only 3 percent is in other bonds and the 3 percent is merely there for the fact of diversification so that we do not have all our eggs in one
25 basket.

JUDGE: Insofar as you pay out to claims in the fund, do you pay out of cash kept at the bank or how do you pay?

MS. C. FOURIE: Thank you Chair, so what we do is our investment portfolio is separate from our daily operational so we have got two
5 separate bank accounts, we have got a bank account opened at Standard Bank that only relates to the investment portfolio and we trade out of that account then we have got bank accounts at UIF that is operational that we fund our operations and pay our beneficiaries and our income is dumped in there. Then in the bank account held at UIF we
10 have got fixed term deposits that are short natured, so we have got a 7 day, a 14 day, a 21 day and a 31 day that we use to fund the current account from which benefits are paid and that is how we manage our cash flow on a daily basis

JUDGE: And all of those things would be included in current assets?

15 MS. C. FOURIE: They are in current assets under cash and money market, ah cash and bank so they are separate from the investment portfolio they are not part of the portfolio.

JUDGE: Thank you, well yes.

MS. C. FOURIE: Yes.

20 JUDGE: Well you spoke about the liquidity of the investment portfolio and I asked you whether they form part of the current assets.

MS. C. FOURIE: On the ...[indistinct] part of the current assets but under bank and cash management but on the portfolio remember it is two bank accounts so there is a separate bank account only for the
25 investment portfolio so there is two bank accounts but both of them are

under current assets but if you look at the note we split them separately to see this is the bank account held at PIC.

JUDGE: That is alright but everything comes under the investment portfolio.

5 MS. C. FOURIE: Current assets yes.

JUDGE: Yes.

MS. C. FOURIE: Yes.

JUDGE: But I presume your current assets fluctuate.

MS. C. FOURIE: They fluctuate yes they do.

10 JUDGE: Yes.

MS. C. FOURIE: And then maybe if I can just speak to or explain to you government bonds, government bonds is what PIC and we regard as our investment initiative into economic growth of the country and then the parastatal bonds that is what we regard as our contribution to
15 infrastructure development in the country.

JUDGE: What is a parastatal bond?

MS. C. FOURIE: A parastatal bond is a bond in an institution like Transnet, Eskom.

JUDGE: I see.

20 MS. C. FOURIE: So currently we do have a split, we do not invest only in one parastatal so although 41 percent of our parastatal bonds are with Eskom we do spread the rest according to like institutions like IDC, Transnet, Roads Agency, Trans-Caledon Tunnel Authority, Airports Company so we do spread it across all the parastatals but as I said you

can see that we are then heavily invested in infrastructure development because for the fund usually the infrastructure development are the sectors that generate job creation so you know that also impacts on the fund so if job gets created there is less beneficiaries that come to claim
5 and we got more revenue coming in to the fund so this is our contribution to that.

And then we have a 20 percent of our mandate is dedicated to developmental instruments, so what we regard developmental instrument mostly these instruments are unlisted and they are in nature a mix of
10 either a loan, a bond or equity but all of them are unlisted so these are more projects in nature and not like the bonds a specific thing that is listed and you get a specific return and you know exactly at any point in time what is the value of that instrument but on these we are trying to, the main purpose for developmental instruments is job creation, that is
15 the main focus. So on the slide that I have prepared for you I have split for you our 20 percent into the sectors that we are currently invested on the developmental instruments so you will see 25 percent of our instruments are currently held in health, 22 in housing and 18 percent in education, 6 percent in energy, 3 percent in finances and then there is a
20 small percentage in construction and then we also have ...[intervenes]

JUDGE: Can I just ask you.

MS. C. FOURIE: Sure commissioner.

JUDGE: Who are you lending money to in education?

MS. C. FOURIE: In education it consists of several service providers
25 Chair, let me just get that information for you, education currently we are

looking, we fund Edu Loan, we have got Adowa which focuses on student accommodation, we have got Edu Core that also focuses on student accommodation and we have got self point management services they also focus on student accommodation. Maybe on our Edu
5 Loan I can just elaborate for you on them, what they do for us is there is a gap or we identified a gap in the market where there are students that does not qualify for NSFAS funding or for loans from the banking institutions they then approach Edu Loan and then Edu Loan on lends to these students, so we lend to Edu Loan and Edu Loan on lend to those
10 students.

That loans can be utilised for their regulation fees, for their courses, for their accommodation, text books, anything that they require, obviously they have to repay the loans back to Edu Loan and in this instance Edu Loan is a loan that we give to Edu Loan so they repay the
15 loan back to us as well with a portion of interest connected to that. We also have a very strict criteria with Edu Loan so if we on lend to them at 5 percent interest for example they may only add 1 percent interest and on lend to the students at that 6 percent which is usually well below the current market interest rates.

20 COMMISSIONER KHUMALO: Now just on that ...[microphone not on]

MS. C. FOURIE: Sure ma'am.

COMMISSIONER KHUMALO: ...[microphone not on] I am saying when the repayments happen and obviously you are getting some interest back and where does it go in your portfolio, does it become your day to
25 day operations or does it get reinvested?

MS. C. FOURIE: Thank you commissioner, all our interest that return that we generate from the investment portfolio gets reinvested in the investment portfolio so even if we generate return on bonds for money market instruments they are reinvested to be allocated as per the
5 mandate so we just reinvest all the return again. Thank you Chair then if I go to my next slide, we also have these developmental instruments of very risky projects that we take on or riskier than a listed investment and therefore the process that we follow is it take far longer to go through and there is a very rigid due diligence process that we follow so as at 31
10 December we already have the following deals in process that we are also working on and the anticipated implementation date is as at 31 March 2017 financial year.

And there you will see we have a huge portion allocated of financial services but we also have spread it through across other
15 sectors as well. Just to elaborate or clarify what this financial services allocation is, we have got a partnership with IDC as well which is more or less the similar as what we have with PIC so we on lend to IDC and they fund clients that qualify for loans as per their specific criteria, as in the case of IDC they fund clients that cannot obtain loans from financial
20 institutions for starting up their businesses so IDC focuses more on small and medium enterprise development and then they on lend to their clients. The bonds that we issue to IDC have got a maturity date and then on that maturity date the capital or the loan that we gave them is paid back to the fund and then on a bi-annual basis we receive interest
25 on that loan so that is fairly straightforward and currently that bond with

IDC is a listed instrument on the JSE but we still regard it as a developmental instrument because it does have a huge social impact for us because one of the criteria for IDC to on lend to their clients that they have to provide proof, audited proof of how many jobs did they sustain
5 and how many jobs did they create across all sectors and across demographical split. So what we are trying to achieve with this IDC bonds is developmental in the rural areas not necessarily in the heavily populated big cities.

ADV. T. MABUDA: Miss Fourie before you proceed, in order to make
10 these investments are you also required to apply for an exemption from Treasury or is this through PIC?

MS. C. FOURIE: Thank you sir, no as long as all these investments are within our mandate we can continue with making the investment but anybody that wants to approach us to invest in any of these
15 developmental instruments must go through PIC and through PIC's due diligence processes. If it is a small medium enterprise business and they want to apply for a loan at IDC they have to go to IDC, qualify and go through IDC's processes.

JUDGE: What is the petroleum element of this?

20 MS. C. FOURIE: Let me just check that for you sir.

JUDGE: 7 percent but what is it devoted to, where do you lend it?

MS. C. FOURIE: We lend to Royal Energy.

JUDGE: Royal Energy.

MS. C. FOURIE: Royal Energy that is the company.

JUDGE: Whatever is that?

MS. C. FOURIE: It is new start up company that they are funding for specifically producing petroleum.

JUDGE: Where is it?

5 MS. C. FOURIE: In Kwazulu Natal.

COMMISSIONER KHUMALO: Sorry I wanted to check the legislative framework of this distribution, the Act does it specify that you can lend here and these funds can be encumbered or these ones cannot be or is it a board decision, how are these decisions made?

10 MS. C. FOURIE: Thank you commissioner.

COMMISSIONER KHUMALO: Of where to lend and how to lend?

MS. C. FOURIE: No it is, the Act just says that all our surplus funds needs to be invested with PIC so from there we work according to the mandate. The PIC does bring special projects of huge values like the
15 IDC project 2, the board for approval but then the investment itself everything gets dealt with by PIC and it is stipulated in the Act that it must be PIC.

COMMISSIONER KHUMALO: What I am saying is, from the fund what are the deciding factors of where it goes and where it does not go, who
20 has got that authority, where does it reside?

MS. C. FOURIE: Thank you commissioner, the authority lies within the mandate so the board determines the mandate and then also when we compile the mandate we take things into consideration like job creation, that is our main driver and sustaining jobs as well as skills development

and also what was the other thing Mr Maruping, it just, I think I have covered it all, they just need to, all the projects need to link up with the mandate and the vision and the mission of the fund but if it is an investment it needs to go through PIC.

5 JUDGE: And the discretionary, sorry Judge, is there discretionary allowance for if the mandate does not sufficiently specify?

MS. C. FOURIE: Thank you commissioner, yes on an annual basis we do review that mandate so if a case comes up and we need to take that into consideration it means that we need to, it is time to view the
10 mandate to facilitate such an allocation as well.

JUDGE: Sorry what is un-commitment?

MS. C. FOURIE: Thank you commissioner, un-committed just means that it is a deal in progress so it went through all the approval processes, it is past the financial investment committees approval but we have not
15 implemented the process yet so the specific project has not drawn down the cash yet but the commitment has been made, the legal agreements have been signed that is what un-committed means.

JUDGE: I understand what un-committed is but I did not know what un-commitment was but now I do, yes thank you.

20 MS. C. FOURIE: Thank you Chairperson I think I am going to hand back to Mr Maruping.

COMMISSIONER ALLY: Mr Maruping before you go on to your next venture of amendments if we can revert to your slide that says number 3, Contribution revenue versus Benefit Payments.

COMMISSIONER T. MARUPING: Yes.

COMMISSIONER ALLY: But it would be the next one with the note, you have a note below.

JUDGE: Yes it is not this one because the one that you were on the
5 ...[intervenes]

COMMISSIONER ALLY: The next one has 3.

JUDGE: It is the one with the green stripes as well that say the admin costs, this one?

COMMISSIONER ALLY: Should be the next one on your slide, yes this
10 one.

JUDGE: You did not actually refer to it in the course of your evidence, you hopped over it, I assumed deliberately.

COMMISSIONER T. MARUPING: No he did he just never, Chairperson you were, when you asked the question about it you were still on the 2,
15 the one before this one.

JUDGE: Alright.

COMMISSIONER ALLY: But on the screen this one was showing but I just want to get clarity, you say here admin and operating expenditure includes employee costs, that is clear. And technical reserve provisions
20 for benefit payments, what does that mean, just explain what that means?

COMMISSIONER T. MARUPING: I will touch on and then I will hand over to Christine. The clinical reserve, here we are speaking about people who have applied for benefits but at the point in time, at that point

in time we had not paid so let us say for example we had by 31 March there were 1000 people that had applied for benefits at UIF and we had not paid them ...[intervenes]

JUDGE: Unpaid claims?

5 COMMISSIONER T. MARUPING: Unpaid claims at that point in time but Christine can add also.

MS. C. FOURIE: Thank you Mr Maruping, Chair. Just to add onto Mr Maruping is correct, there is also another component to that it is not only benefits not paid yet it can be claims received but not paid yet, it can be
10 claims received but it is in the cycle of payment, they have just not received the last payments yet and then also we need to look at the unearned premium reserve which is also a part of the technical reserve, that relates to everybody that contributes to the fund is entitled to a benefit payment somewhere in the future so you have to reserve funds
15 for when that person comes to claim with that contribution that he already contributed a few years back that you are able to pay that claim so that is what technical reserves are made up of.

COMMISSIONER ALLY: Well explain this to me, how does that happen, I was a teacher 1984 to 1986 then was unemployed, during that period
20 of employment I contributed to UIF, are you saying now that I had a claim in the future and therefore could claim even now whatever 30 years later in terms of what you are saying however in terms of the Act I would expect that there is a limit in terms of the time period from which you can claim and so forth so I can say the UIF that I ever paid is gone and
25 forgotten and forms part of the surplus that you have at the moment?

COMMISSIONER T. MARUPING: The second part is unfortunately true, okay I think the other part that we just want to emphasise Chair, we look at someone who is employed now and we say if this person were to lose his or her job three months later will we be able to pay and we put funds
5 aside so that when that person comes we cannot say we do not have funds and hence we have the technical reserve, thank you.

JUDGE: Yes well that is everybody in the workplace.

COMMISSIONER T. MARUPING: More so people who are contributing.

JUDGE: Who are what?

10 COMMISSIONER T. MARUPING: Who are contributing.

JUDGE: Oh every contributing person in the workplace yes has the benefit of that reserve.

COMMISSIONER T. MARUPING: Yes.

JUDGE: Yes but it is an actuarial calculation is it not?

15 COMMISSIONER T. MARUPING: It is indeed Chair.

JUDGE: It does not bear much relation to reality.

COMMISSIONER T. MARUPING: I think scientifically it is the best we can do because we would not know exactly how many jobs we might lose but they do have comparison of how much we have paid in the past
20 and then they do projections and see if the trend continues.

JUDGE: Exactly now we know too how much you have paid in the past and how much you have got in so we know that as a matter of probability the chances of the revenue being exceeded by the benefits is very, very small indeed even overlooking the fact that you have now got a reserve

of R120 billion that is the actuarial fact, perhaps the actuary would come and explain to us just what the size of the actuarial reserve should be.

MS. C. FOURIE: Thank you Chair I think I can answer that question for you on the spot, our technical reserve for the benefits payable is R21
5 billion.

JUDGE: I saw that yes.

MS. C. FOURIE: And then our accumulative surplus is R98 billion so if you add those two together that is how you arrive at the R120 billion which is then the investment portfolio.

10 JUDGE: yes and that tells me that the claims that you might have to pay but you cannot be sure about are sufficiently protected by the reserve of R21 billion.

MS. C. FOURIE: Yes Chair you are hundred percent correct, that is correct and you will also see that the technical reserve is what we put
15 into the government bonds because that is capital protection.

JUDGE: Yes.

MS. C. FOURIE: So we do not want to you know lose anything on that money so that is why most of our portfolio is on the government bonds so we really want to protect that reserve so that the money is available.

20 JUDGE: Yes but the truth of the matter is that the interest that you receive on your investment amounts to half your technical reserve at present each year.

MS. C. FOURIE: That is true Chair.

JUDGE: Which means that the cat is getting fatter but the chances of

her ever having kittens is very small.

MS. C. FOURIE: Chair I think if we come to Mr Maruping's slides on the amendment bill that reverses the picture completely.

JUDGE: Well we will see about that, yes.

5 COMMISSIONER KHUMALO: Just before that, on slide 14 I do not know if it was dealt with before but it just flows from what you saying, if you are saying the nett amount, nett assets to the, can you see slide 14, nett and what is the gross, you are talking about nett assets there.

COMMISSIONER T. MARUPING: Chair can we just note the question
10 and come back to it, we have got it on our annual reports we will just give you the number just now.

COMMISSIONER KHUMALO: Okay.

COMMISSIONER T. MARUPING: Thank you.

JUDGE: Where does it say nett, oh there it is, yes alright.

15 MS. C. FOURIE: Thank you Chair, we can confirm the nett assets is R120 billion.

COMMISSIONER KHUMALO: What would be the gross assets that is not included.

MS. C. FOURIE: The gross, Chair I will look for you and I will come
20 back.

COMMISSIONER T. MARUPING: I must just remember to introduce myself, Chair with that it is also appropriate for this sitting just also to touch on what you are doing on the Act, that you have amended the Act as the Chairperson is saying about the cat growing fatter and no

opportunity of this cat ever giving us any kittens, so we have done some amendments on the Act just to see if we cannot have at least one kitten from this cat.

JUDGE: Yes.

5 COMMISSIONER T. MARUPING: Okay in terms of the amendments Chair we have done a couple of amendments on our Act, in the main I think historically I think in the year 2009 if I am not mistaken or earlier the UIF was in the red, there is a point when UIF had about a R90 billion deficit.

10 JUDGE: Sorry when did you say that was?

COMMISSIONER T. MARUPING: I am not too sure for certain because I was not there yet but I think around 2007, Christine can you just confirm?

MS. C. FOURIE: Yes Chair I have been there, it was actually before that
15 I think it was in 2003 already.

JUDGE: Yes it looks quite healthy in 2007, yes.

COMMISSIONER T. MARUPING: Yes in 2003, my apology Chair, at that time the UIF had about R90 billion deficit and had to run to Treasury requesting for funding to put it together and I think as a result the UIF put
20 some stringent controls on how the benefits were paid until we build up enough muscle to start relaxing these controls.

JUDGE: Yes you said so yes.

COMMISSIONER T. MARUPING: And now that we have built enough surplus, we have already started to relax some of the controls and one of

those is also the financing of the retention of contributors in employment and re-entry into the labour market other than the schemes aimed at vulnerable employers so we have put this in an Act so that UIF is mandated to fund other than what we have now with training layoff
5 schemes Turnaround Solutions so it supports what the Public Employment Act also put in the Act.

JUDGE: I am sorry, you have said all that rather fast and I am not sure that I understood what you were trying to say, now just explain that again to me please in words that I can understand.

10 COMMISSIONER T. MARUPING: Is the part in purple.

JUDGE: Yes I know.

COMMISSIONER T. MARUPING: Yes it is financing of the retention of contributors in employment and re-entry of contributors into labour market and any other schemes aimed at vulnerable workers.

15 JUDGE: Well I do not understand the first clause, financing of the retention of contributors in employment.

COMMISSIONER T. MARUPING: This one is linked to what I explained earlier Chair when you were talking about the training layoff schemes and Turnaround Solutions it is that piece.

20 COMMISSIONER ALLY: Are you saying presently you do not have the mandate and you are doing it without the mandate and therefore covering yourself in the new amendment?

COMMISSIONER T. MARUPING: No Chair we do have a mandate we just extended with the last piece with any other schemes aimed at

vulnerable workers so that it brought in the scope, previously it was limited but now we are saying we can concede, I think there was a question raised earlier, if are we flexible enough to consider that schemes and I think what the Act does it gives us that flexibility.

5 JUDGE: And what are these schemes aimed at vulnerable workers?

COMMISSIONER T. MARUPING: We have not yet decided Chair I think what we are saying now is vulnerable workers, for example when we visited Germany one of the schemes that they have in Germany is if there are employees that are under skilled and they are at risk of losing
10 jobs, instead of, they are not yet at risk of losing jobs but when you look at the future of work, the future of work is changing and we need to upscale these workers and bring them more into the future of work and retrain them so it is some of the skills that we will be considering when looking at other schemes that protect vulnerable workers.

15 The other one as an example is your domestic workers, currently domestic workers are only limited to the cooking and cleaning but we can expand the scope of a domestic worker to maybe a health worker or a community worker so we will train them into other possibilities that are available in the market and these are some of the vulnerable workers
20 that we have in our society, and even your farmers.

JUDGE: Yes alright.

COMMISSIONER KHUMALO: On this purple, if this definition do you think it has potential in our context to include students as unskilled?

JUDGE: Well vulnerable students at Tvet's.

25 COMMISSIONER T. MARUPING: Unfortunately no commissioner, what

we cover here is only those people who are contributing to the UIF.

COMMISSIONER KHUMALO: People in the labour not potential?

COMMISSIONER T. MARUPING: Not potential.

COMMISSIONER KHUMALO: So this vulnerability is not for people who
5 are not in the labour market?

COMMISSIONER T. MARUPING: Can you ask your question again
ma'am?

COMMISSIONER KHUMALO: Aimed at vulnerable workers.

COMMISSIONER T. MARUPING: Yes.

10 COMMISSIONER KHUMALO: So I am saying if you teach a worker to
varsity and find it would it be within this definition just to make an
example?

COMMISSIONER T. MARUPING: I think it is a possibility so long as it is
a worker who is contributing to UIF, if they are not contributing to UIF
15 they are outside the scope of the mandate of the UIF but what I said
earlier ...[intervenes]

COMMISSIONER ALLY: Therefore that takes the student out anyway
because the student is not a worker.

COMMISSIONER T. MARUPING: I think Chair it is not hundred percent
20 true, remember what I explained earlier, we said we partner with other
institutions so you could partner with for example an institution and you
say we will find 50 percent and the 50 percent will be yours.

COMMISSIONER ALLY: I am not talking about that one, that you
explained when we dealt with that Tvet situation and Merseta and so

forth, the commissioner was asking, within the definition of aimed at vulnerable workers whether the student could fall into that, your answer to her was that if they are contributing then we would be able to fund them now I then put to you that excludes the student because the student is not contributing not that you are not contributing to students in other schemes like your Merseta, your 50 percent and so forth.

COMMISSIONER T. MARUPING: I think in simple terms Chair, I was hoping I was not going to hear I put it to you but it came, in simple terms Chair the Act only limits us to contributors but it allows us to engage with other partners where we can meet each other half way but it is only contributors. Can I move on Chair?

JUDGE: Yes please do.

COMMISSIONER T. MARUPING: Okay so we can step off the purple part, we will go now to the blue, the blue speaks to a period to lay UIF benefits extend from 6 to 12 months and I think this is one area also that previously excluded some people, I will explain it to you Chairperson.

JUDGE: I am sorry what does lay mean, claim?

COMMISSIONER T. MARUPING: Yes you can put your claim, previously you had only six months to put your claim and get it processed and there were a number of people that were left out ...[intervenes]

JUDGE: Oh is this purely a duration within which you can claim?

COMMISSIONER T. MARUPING: Exactly.

JUDGE: Oh I see, it is not that you can now claim for 12 months instead of 6 months?

COMMISSIONER T. MARUPING: Yes, I am coming to, that part is also coming.

JUDGE: That is a separate thing okay.

COMMISSIONER T. MARUPING: Ja that one is coming too. So
5 previously people only had 6 months to apply for benefit and there were a number of people that were left out even though the number is not big but our view is that those people could have enjoyed poverty alleviation and they were left out now we are increasing that period now to 12 months.

10 COMMISSIONER ALLY: And that is why I am excluded from my 1980's.

COMMISSIONER T. MARUPING: At this stage but it does not mean we should not consider that, I feel for you. Okay but then this only speaks to our other, only the four benefits that we offer which is your maternity, unemployment but when it comes to death benefit we are extending that
15 to 18 months because when people apply for death benefit there is different ceremonies and other things that happens before someone applies for a death benefit so we are increasing that now to 18 months, that you have at least 18 months to apply for a death benefit plus you can also nominate ...[intervenes]

20 JUDGE: Sorry what is a death benefit in relation to unemployment, where I am going there will not be any unemployment.

COMMISSIONER T. MARUPING: I think at the time when the Chairperson dies there will be beneficiaries left behind who may benefit from your contributions.

25 JUDGE: Benefit from the contributions what for work that I have done

before I died?

COMMISSIONER T. MARUPING: Yes so if a contributor passed on they can nominate someone who will benefit.

JUDGE: Am I then deemed to be unemployed for the first 6 months after
5 I die?

COMMISSIONER T. MARUPING: Well for the first 18 months.

JUDGE: Heavens.

COMMISSIONER T. MARUPING: No I am just joking Chair, it is almost like your funeral benefit to use in a layman's terms, that when someone
10 dies the family that stays behind they have an opportunity to get something from the UIF up to R42 000.

JUDGE: So it is a social grant.

COMMISSIONER T. MARUPING: No I would not say it is a social grant, it is the contributor contributed and ...[intervenes]

15 COMMISSIONER ALLY: It is what you would call a death benefit like almost like your insurance.

COMMISSIONER T. MARUPING: Yes.

COMMISSIONER ALLY: Where you took out a policy of funeral policy, this is the same as, are you saying that this is the same kind of benefit?

20 COMMISSIONER T. MARUPING: Exactly.

COMMISSIONER ALLY: But it only for people that have contributed to UIF.

COMMISSIONER T. MARUPING: Yes. Okay I can step off from the blue and go to the lighter blue at the bottom. We also have people who for

some reason or the other they are working for a company but for some reason the salaries drops and we are saying those people they can apply for UIF also that you come to UIF and say I was being paid R10 000 but due to situation in our company now my salary is now dropping
5 to R7000 and we cover that for a period.

JUDGE: Would that cover the man who is put on 4 day week?

COMMISSIONER ALLY: If the man was working 7 days a week and has dropped to 4 day week and as a result his salary has dropped, that is what you were talking about.

10 COMMISSIONER T. MARUPING: Perfect so as long as your salary drops.

JUDGE: Okay thank you.

COMMISSIONER T. MARUPING: Okay so I can skip that one.

JUDGE: But you say if certain wages dropped below a certain level what
15 does that mean?

COMMISSIONER T. MARUPING: It is the level that you have been paid at that point in time.

JUDGE: So will this apply to everybody then, every who is ...[intervenes]

COMMISSIONER T. MARUPING: Every contributor.

20 JUDGE: I see alright.

COMMISSIONER T. MARUPING: Every contributor.

JUDGE: Right.

COMMISSIONER KHUMALO: I think the operative word there is short time.

COMMISSIONER T. MARUPING: Yes.

COMMISSIONER KHUMALO: Like in the factories where maybe you are supposed to work 5 days then now you work 3 or 3 hours, something like that?

5 COMMISSIONER T. MARUPING: Yes.

COMMISSIONER KHUMALO: Okay.

JUDGE: Yes.

COMMISSIONER T. MARUPING: Okay I will step on that one and come to my favourite, the maternity benefit.

10 JUDGE: So this is where the kittens come in.

COMMISSIONER T. MARUPING: This is where the kittens come in.

JUDGE: Yes.

COMMISSIONER T. MARUPING: When I was explaining this to my wife she was more than willing now for us to have a baby so at least I am
15 hoping for a child soon. Now with the maternity benefit, previously the higher you earn the lower, we are using a scale so the higher you earn the lower your benefit were but with the new amendment act now we are paying at a flat rate of 66 percent across, limited at R17 000 which is our new ceiling.

20 JUDGE: Okay.

COMMISSIONER T. MARUPING: So what it does now is at least it gives more money in the pocket of people who goes on maternity.

JUDGE: So it is not maternity, is it maternity leave not, is it not related to a period, 3 months, 6 months, 9 months whatever?

COMMISSIONER T. MARUPING: I am coming to the period later on.

JUDGE: So there is a maximum of R17 000.

COMMISSIONER T. MARUPING: Yes.

JUDGE: And it is 66 percent of what, of your income?

5 COMMISSIONER T. MARUPING: Of your income, we can pay up to R17 000.

JUDGE: Yes I see.

COMMISSIONER T. MARUPING: But not more than that.

JUDGE: Yes.

10 COMMISSIONER ALLY: Let us take it a little further, now the company has maternity benefit also that include that we will pay you let us say for 3 months of your I think it is 4 months at the moment.

COMMISSIONER T. MARUPING: Yes.

15 COMMISSIONER ALLY: You were saying on top of what your company is paying you we will pay you from day 1 to date, you going to come to the period but let us assume, so there will be double payment that time, one from you and one from the company.

COMMISSIONER T. MARUPING: No, no, okay what would happen is two things, first one is a period, if your company pays you for 3 months
20 we will cover the fourth month, if the company pays you lower than what you would be paid we will close the gap and pay the difference.

COMMISSIONER ALLY; Okay thank you.

JUDGE: Is this maternity benefit prior to the birth or does it include the period after the birth?

COMMISSIONER T. MARUPING: After the birth.

JUDGE: After the birth.

COMMISSIONER T. MARUPING: Yes.

JUDGE: I see.

5 COMMISSIONER T. MARUPING: And also the good thing now the second part of the maternity benefit, there are people who lose their child, still birth, just three weeks before they give birth, we are saying we will treat that also as maternity because they may have prepared for the child but we are not covering someone who will go and commit abortion,
10 only people who would lose a child just three weeks or either it is a still birth or just before you give birth.

ADV. T. MABUDA: Sorry Mr Maruping, this R17 000 is that for the entire four months or is it per month?

COMMISSIONER T. MARUPING: Per month.

15 ADV. T. MABUDA: Per month.

COMMISSIONER T. MARUPING: Per month. Okay I think I have covered now.

JUDGE: Now you saying maternity will now not get subtracted from normal AUI benefit, credit?

20 COMMISSIONER T. MARUPING: Yes.

JUDGE: Just explain that to me.

COMMISSIONER T. MARUPING: Okay previously what would happen people accumulate credits at one credit for every six days they work.

JUDGE: Every six days.

COMMISSIONER T. MARUPING: Every six days you work you accumulate one credit over a period of four years, when you come and claim we take from your credits and we pay you. Now previously if you come and claim for unemployment what would happen now we would
5 take from your credits, now if your credits are eaten up you come and claim for maternity there is not enough credit anymore to pay for maternity, now we are saying we are linking the two.

JUDGE: I see.

COMMISSIONER T. MARUPING: When you come and claim for
10 maternity it is separate, when you come and claim for unemployment it is separate and two separate benefits.

JUDGE: Thank you.

COMMISSIONER T. MARUPING: Okay I think we have an error there under claiming longer, that R14 000 it is supposed to be 17 we did not
15 update that piece.

JUDGE: Okay.

COMMISSIONER T. MARUPING: My apologies on that.

JUDGE: I was not sure whether the first claim longer 365238 was a telephone number or not, what is it?

20 COMMISSIONER T. MARUPING: Yes I am coming to that Chair. Previously people could claim for a maximum of 238 days, now you can claim for longer which is a full year, for 12 months.

JUDGE: What was 238 days, how many weeks is that?

COMMISSIONER T. MARUPING: It was eight months previously.

JUDGE: Yes, I seem to remember that in years passed it was only 6 months, was that right?

COMMISSIONER T. MARUPING: Yes in years passed, I suspect the Chairperson is exposing his age now.

5 JUDGE: Yes, no certainly.

COMMISSIONER ALLY: And on a sliding scale also, does the sliding scale still pertain in terms of the benefits you receive, so in the old days you would get two thirds and come down and come down until you on the sixth month your last cheque is not the same as your first cheque?

10 COMMISSIONER T. MARUPING: Shew Christine.

MS. C. FOURIE: Thank you Chair, yes the sliding scales and the IRR remains in tact.

JUDGE: Might this be a suitable time to take the tea adjournment. We will take a quarter of an hour thank you very much.

15 **MEETING ADJOURNS**

MEETING RESUMES

JUDGE: You are still under your oath, would you like to continue with your presentation?

COMMISSIONER T. MARUPING: Yes chair I will continue. We were just finishing the last piece the green area. We have also improved our, 20 the rate at which credits are accumulated. Previously it was 1 to 5, my apology previously it was one, for every six days you work you accumulate one credit. Now we are changing that now to for every five days you work you get one credit and part of the credit accumulation is also, previously what we would do is, when you apply for a benefit you

would have to work for another four years before you can start enjoying other benefits but now we are saying, as you accumulate benefits you can claim. If you accumulate ten, you have accumulated 15 credits you can claim on the 15 credits depending on how many credits or how long
5 you have worked and how you have exhausted your credit but for Advocate Ally who may have worked for 18 years or 15 the room is much wider.

COMMISSIONER ALLY: But I still do not have my money.

COMMISSIONER T. MARUPING: What I want to touch on also Chair is
10 the key consideration that, or let me just touch on this too Chair, there is other amendments that are still under discussions that also has huge financial implications. The first one is paternity leave for men, currently we are not covering men when they are going on paternity leave, we are looking into that there is cost implications, we are looking at between five
15 and 12 days. The actuaries have ...[intervenes]

JUDGE: 5 and 12 days?

COMMISSIONER T. MARUPING: 5 to 12 days.

JUDGE: Yes.

COMMISSIONER T. MARUPING: The judge is not excited.

20 JUDGE: It is 5 for a boy and 12 for a girl?

COMMISSIONER ALLY: Why was that issue not taken up with the present amendments or was it at a very early stage still that it was not taken up in the present amendment?

COMMISSIONER T. MARUPING: It is still under discussion as we

5 speak, it has been presented at the portfolio committee of labour and other committees and it is still at Netlac, I think that this, we just want to put through these ones for now and then the other one is people who resign is also not discussion, when a person resign from work there is different resignation opportunities that arise for an individual that are treated via CCMA, it is constructive and maybe you are put under pressure but if someone may resign and they want to for some one reason or the other sit at home, we are not covering those or for whatever reason they resign is not yet covered at this stage.

10 JUDGE: This sounds very similar to the evil of resigning in order to get your pension benefits.

COMMISSIONER T. MARUPING: Exactly that is why it was not pulled through this time around we held back. Also the informal sector at this stage because of the permutations around the informal sector is not yet covered people who have a shop on the street they are selling peanuts or they are selling different things on the street corner.

COMMISSIONER ALLY: Just tell me how that is relevant to the UIF because if that person is not contributing to the UIF, one by paying an employee because the informal sector is something, is in Afrikaans they say 'n perd van 'n ander kleur so it would be something otherwise than what you are dealing with because one is that spaza shop owner has that person registered with the necessary authorities to the employees in that spaza shop have they been registered as UIF contributors and so forth so those are the challenges and hurdles I would expect you would come across?

25

COMMISSIONER T. MARUPING: You are correct Advocate Ally. I think that is what is creating complications also for us that how do we treat these different permutations that we are facing and we are still going through a research to make sure if we start that process we have covered all the possible permutations but just as an example of the spaza shop, if someone works in that spaza shop for more than 24 hours a month they are supposed to be contributed for so that means a spaza shop owner is not complying to the act.

COMMISSIONER ALLY: That we know but ...[intervenes]

10 JUDGE: Do taxi drivers get their benefits, are they registered?

COMMISSIONER T. MARUPING: A number of them are.

JUDGE: Are they?

COMMISSIONER T. MARUPING: But a sizable number of them are not registered.

15 JUDGE: So there is a huge informal sector who could benefit from the Act but does not because it is not registered/

COMMISSIONER T. MARUPING: Yes.

JUDGE: But the possibility of extending it to people who are not registered must be very small because that opens up the floodgates for a lot of people, as you have shown earlier, when you said if you are not registered you do not get the benefits.

COMMISSIONER ALLY: The more you are extending the benefits the more I see the commissions intention of getting some of your money floating down the river so we are not really sure, well for now these are

things you are thinking about and hopefully they do not come to fruition so we can take some of your money.

JUDGE: You see the more you do that sort of thing the more you become just another social welfare scheme, unrelated to unemployment
5 insurance.

COMMISSIONER T. MARUPING: Not quite Chairperson.

JUDGE: Well it may be.

COMMISSIONER T. MARUPING: Because the principle is that the person contributes so the minute you are contributing for a benefit then
10 you deservedly qualifies for that benefit.

JUDGE: Yes I will give you that, sure.

ADV. T. MABUDA: Mr Maruping before you proceed, has there been a costing exercise of these amendments by the UIF?

COMMISSIONER T. MARUPING: Yes there is a costing exercise, we
15 have an actuarial report that was done to check if or is it affordable and to what extent can we afford it, I was going to allow Christine just to give us a feel of that costing implication?

ADV T. MABUDA: Are we able to get a copy of that actuarial report?

COMMISSIONER T. MARUPING: I think it is accessible yes. Christine?

20 MS. C. FOURIE: Thank you Chairperson on our report, yes we can make it available, although it is still in draft form.

JUDGE: Still in?

MS. C. FOURIE: In draft form because of the Netlac discussions so every time Netlac has a discussion and they add another scenario

obviously we have to scope the impact of that scenario on the funds surpluses so the report keeps on changing and that is why we do not have a final report but we do have drafts that we can make available. The drafts also depict specific scenarios and what the impact would be per scenario as well as what the impact would be if you factor or if you implement all the scenarios at one.

JUDGE: I thought that I read that this amendment had been approved.

MS. C. FOURIE: Yes Chair the amendments that Mr Maruping was speaking about in that slide those have been approved.

10 JUDGE: Yes has the Act then been amended?

MS. C. FOURIE: We are in the process, it is in the process of being promulgated in the Government Gazette and then thereafter we will issue regulations as we implement the bill/

JUDGE: Yes that is fine but then the cost implications in respect of the amended Act must surely already have been discussed?

MS. C. FOURIE: Yes Chair that we do have in a final report.

JUDGE: Well that is what I think Mr Mabuda is wanting.

MS. C. FOURIE: That we can make available but remember we also have the additional scenarios that is going ...[intervenes]

20 JUDGE: Yes but that is a dream as yet, that is just conceptual we have not got to that.

COMMISSIONER T. MARUPING: I think Chair what Christine is saying is when we were doing the actuary report we had about 12 scenarios and at this stage we have implemented only ten of them but the report

includes all 12 scenarios.

JUDGE: Okay that is fine.

COMMISSIONER T. MARUPING: Okay, thank you Chair.

COMMISSIONER ALLY: I think we are at cross-purposes a little bit, you
5 are speaking now of the draft report, there is a report on the amendment
which will be promulgated and can that report not be given, what Ms
Fourie is having a problem with is giving a draft report which might come
up with changes later as discussions go in Netlac so the Chair was
indicating well we would like to see the costing of those amendments
10 that have been approved already because the other it might or it might
not happen.

COMMISSIONER T. MARUPING: Point taken. I think we can separate
those that have been approved and leave out those that are still under
discussion it is two.

15 JUDGE: If you have costed the ones that have not been approved there
is no harm of letting us know of what your thinking is in the matter.

COMMISSIONER T. MARUPING: Okay.

JUDGE: I did understand you to say they were all in one report?

COMMISSIONER T. MARUPING: Yes.

20 JUDGE: Yes.

COMMISSIONER T. MARUPING: Okay, I just want to touch on the
implication now, the key consideration before I hand over to Christine
that the one thing that we have done we have not changed the
contribution implications for the contributors with these amendments so

the contribution remains, one percent for the employee, one percent for the employer so we are improving the benefits but we are not touching contributions. We have also increased coverage and once again, without touching contributions, we are also formulising some of the interventions and also relaxing a bit and again we have not touched contribution. I think what I want to emphasise here is, we have not touched the contributions of the contributors with these amendments, we have left the contributions as they are.

JUDGE: Okay so you want to do more with the same money?

10 COMMISSIONER T. MARUPING: Yes.

JUDGE: Yes.

COMMISSIONER T. MARUPING: I think that is the principle Chair. Then what I also want to but I will leave it to Christine just to cover this piece, with the current amendments that we have they are going to push with the actuarial report, they are going to push that graph that difference of R10 billion they are going to push that graph closer and closer to each other.

JUDGE: Sure.

COMMISSIONER T. MARUPING: So that by, we are looking at by the year 2026 for the two to be, contributions to be equal to benefit payments but let me allow Christine to break it down further.

MS. C. FOURIE: Yes Chair I think this is what we were trying to do is, we were trying to improve the benefits so that we do not have this massive surpluses that we are transferring for investment purposes because that is not the purpose or the mandate of the fund to be an

investment corporation.

JUDGE: Exactly yes.

MS. C. FOURIE: So what the actuaries came up with to say is if we implement the full proposed bill as we have here the full 12 scenarios
5 that was scoped, the funds business operations will be funded by the surplus of the fund by 2026 so if we implement it right now contributions will be equal to benefits, all 12 of them all at once so within the next 10 years that contributions and benefits that is now equal will start eating into the surplus until the surplus is, and less and at a solvency ratio of
10 which we are aiming at a 50 percent solvency ratio which is still high, but then at least we have some reserve for the technical reserve left over so that is why all these improvements are still being negotiated at Netlac. Then maybe if I can just come back to the Commissioners question on the gross surplus, I went back to the financial statements, currently our
15 gross surplus is R8.9 billion.

JUDGE: Your gross surplus is, I am sorry?

MS. C. FOURIE: The gross surplus so that would be your revenue, your benefits and taking your change in benefits and unemployment alleviation schemes into consideration that gives you your gross surplus
20 so the gross surplus was R8.9 billion.

JUDGE: How can the gross surplus be smaller than the nett surplus?

MS. C. FOURIE: The nett surplus was R10 billion and then the accumulated surplus is 98.

JUDGE: I see, I see what you are saying.

MS. C. FOURIE: Okay.

COMMISSIONER KHUMALO: On the slide was it not the nett assets you were talking about as in whatever that belongs to the fund you said nett, I was not sure?

5 MS. C. FOURIE: Sorry Chair yes maybe I can just clarify that. Nett surplus is the R10 billion, it is nett surplus for the year and nett assets is the technical reserves plus the accumulative surplus and that gives you then your nett assets so the overall nett assets.

COMMISSIONER KHUMALO: So is it the use of the nett is it deliberate
10 to use the word "nett"?

MS. C. FOURIE: Yes we are required by PFMA to use that terminology
Commissioner.

COMMISSIONER KHUMALO: So there is no gross?

MS. C. FOURIE: The gross surplus is then just the R8.9 but it only
15 consists of revenue and benefit payments.

COMMISSIONER KHUMALO: I am so confused, it is just that I am taking it literally that usually you would have a gross amount or a gross assets and then you remove certain things and then you remain with the nett, is that not the case?

20 MS. C. FOURIE: Yes Commissioner our terminology is different from the public sector, maybe if I make a copy of the annual report available to you then it might be clearer for you okay.

COMMISSIONER ALLY: Well I am confused, perhaps you can go to slide 14, Mr Maruping because you do not seem to have the slide with

you and Commissioner Khumalo's question related to the purple, to the purple circle. As at 31 March 2016 the fund had nett assets to the amount of R120.12 billion, the question posed to you, what is the gross, you have now returned to answer in respect of surplus and not in respect
5 of that particular part that she asked?

MS. C. FOURIE: Yes Chairperson but nett assets which is the R120 billion consists of technical reserves which is R21 billion, an accumulated surplus which is R98 billion, those two added together gives you the R120 billion so if you then go to the income statement,
10 where you get your gross surplus, gross surplus only consists of revenue, less benefits that gives you the R8.9 billion. Then if you take the R8.9 billion and you add all your other income and you deduct all your other operating surpluses then you get nett surplus only for the year and that is R10 billion, so the accumulated surplus is all the surpluses for
15 the previous financial years added together plus the nett surplus for the current financial year to get to your accumulated surplus so nett assets as per the slide consist out of technical reserve plus the accumulated surplus that is what we term as nett asset.

COMMISSIONER ALLY: And therefore the answer to her question of is
20 there a gross relating to the R120 billion you say no because of your accounting standards and how you, how you present them in the financial statement because the 120 does not relate to a particular year but it is an accumulation as well as made up of two different sets?

COMMISSIONER T. MARUPING: Thank you Chair, we just want to
25 touch on, I think in a number of ways you have touched on the

constraints but we just want to emphasise in terms of how the UI has been structured.

COMMISSIONER KHUMALO: Just before you touch on the constraints.

COMMISSIONER T. MARUPING: Okay.

- 5 COMMISSIONER KHUMALO: On the amendment bill is there an opportunity of making further amendments to the bill, where is it, what is the status of it now?

COMMISSIONER T. MARUPING: The paternity leave is, went through to the portfolio committee and it is back to Netlac, the three remaining
10 ones, the paternity one is still at Netlac, the resignation one there is still a huge debate on whether it should go through or not, there is no formal discussions around it on whether we should put it through or not but I think the one that is family entrenched now is the paternity leave. The informal settlement and the resignation it is still problematic and under
15 discussion but the likelihood of, the one that is likely to be implemented moving forward is the paternity leave.

COMMISSIONER ALLY: Wait now Mr Maruping.

COMMISSIONER T. MARUPING: Yes.

COMMISSIONER ALLY: You have here the amendment bill and the
20 areas that are covered there is areas that have been approved.

COMMISSIONER T. MARUPING: Yes.

COMMISSIONER ALLY: That will be gazetted and that is what we are trying to get to so that part has closed, these issues of paternity and so forth are new ones and therefore anybody wanting to make submissions

as to different aspects of benefits can make that too which will go through the process again, the portfolio committee, Netlac and all the rest of it, is that correct?

COMMISSIONER T. MARUPING: Yes.

5 COMMISSIONER ALLY: That is the process/

COMMISSIONER T. MARUPING: That is the process.

COMMISSIONER ALLY: But the one that has been approved the gate is closed/

COMMISSIONER T. MARUPING: Yes Chair. Thank you very much. I
10 think Advocate Ally should join our side at the UIF Chair. Can I move to the constraints.

JUDGE: He will come if you pay him his back-pay.

COMMISSIONER T. MARUPING: Okay in terms of constraints Chair we just wanted to give the Commission a feel of some of the constraints that
15 we believe will constrain any, I think in the main it is possible funding that is outright free, for a lack of a better word.

JUDGE: Sorry I do not understand that.

COMMISSIONER T. MARUPING: I am trying to find a simpler English terms that I could use okay but I think in simple terms Chair what you are
20 saying as UIF, how the UIF has been constructed and legislated it is not possible for the UIF to fund education freely.

JUDGE: Ah well now this puts the, let me look at what the UIF has been doing, is the UIF authorised to be a money lender in terms of the legislation?

COMMISSIONER T. MARUPING: No.

JUDGE: Well UIF is entitled to invest money?

COMMISSIONER T. MARUPING: Yes.

JUDGE: And you can only invest money against some event, you
5 cannot invest money simply for the sake of investing money because
once you start doing that you become a money lender because that is
what you are doing.

COMMISSIONER T. MARUPING: Mm.

JUDGE: Now you have long-long since passed the point where you
10 needed to invest in order to make sure you had a reserve for the last
umpteen years you have been investing money that you have no use for,
the money that the government might have taken back into the general
reserve, in the general revenue fund but has not done so, is that not
right?

15 COMMISSIONER T. MARUPING: Not quite Judge.

JUDGE: Well why have you been investing that money?

COMMISSIONER T. MARUPING: I think Judge what the UI Act does, it
allows the UI Act to use PIC to invest.

JUDGE: Yes, yes, I am not interested in the vehicles, the question is
20 can you invest at all when you have, when you have satisfied your
mandate, you invest in order to maintain a fund which is big enough to
satisfy your obligations under the Act?

COMMISSIONER T. MARUPING: Yes.

JUDGE: Now you have long since superseded that and all you are doing

now is investing for the sake of having something to do with the money. You have not been spending it on anything you are simply been turning over and increasing your capital reserve but that is not part of your, that is not part of your function at all.

5 COMMISSIONER T. MARUPING: Granted Judge but what you just said now was we have amended the Act.

JUDGE: Well yes well that I agree with you there the amendment may affect things but until the amendment it seems to me you were doing what you had no authority to do.

10 COMMISSIONER T. MARUPING: We had authority Judge.

JUDGE: Well/

COMMISSIONER T. MARUPING: We had authority.

JUDGE: To be a money lender?

15 COMMISSIONER T. MARUPING: Not to a money lender, to invest our funds.

JUDGE: For what?

COMMISSIONER T. MARUPING: In the country to drive the economy, and as we have presented earlier.

20 JUDGE: I am sorry, you invest funds that are part of your mandate and you invest for, to satisfy your mandate now your mandate is not to drive the economy of the country, it has never been that.

COMMISSIONER T. MARUPING: Our mandate Chair as in the Act is we can allow PIC to invest given the mandate that we give to the PIC.

JUDGE: Well I hear what you say, I am not sure that I agree with it but

in any event it may have been rendered completely superfluous by the amendments that is why we are very interested in the costing of the amendments, naturally.

COMMISSIONER ALLY: At this stage perhaps I should put this to you
5 also then, when you presented at the beginning this morning, you indicated or Ms Fourie or you indicated that where there is a surplus treasury authorised you to invest that money in the PIC. Now as you know in government entities you cannot keep money in excess unless you have a rational explanation or if treasury allows you for instance to
10 roll over and so forth. Now in this instance treasury authorised you to use that surplus to make more money, are you the people, is the UIF the person you talk to or is it Treasury, listen to this part, if I say to treasury you allowed the UIF to invest the surplus, let us say R90 billion in through PIC, in various ventures, do I come to UIF or do I go to treasury
15 to say can I not have that R90 billion for education, you are getting where I am going to, so do I ask UIF, the Commissioner or do I ask National Treasury, in your understanding?

COMMISSIONER T. MARUPING: In my layman's understanding you will have to engage the minister of labour and the minister of finance.

20 JUDGE: Fair enough.

COMMISSIONER KHUMALO: Thanks. On slide, is it slide, I think it is the second slide on your entire presentation, is it, I think it is slide 5, the one before that, yes the one the application of the Act which is the next one Ja, is it limited to that?

25 COMMISSIONER T. MARUPING: At this stage yes.

COMMISSIONER KHUMALO: Okay so where would the investment mandate come from, in a different set of ...

MS. C. FOURIE: Commissioner, it comes from, it is regulated by the UI Act and also the PFMA.

5 COMMISSIONER T. MARUPING: And also just to clarify, I did not put the whole Act in the presentation but we can make it available where it speaks specifically about the PIC, the section.

COMMISSIONER KHUMALO: Oh it specifies PIC?

COMMISSIONER T. MARUPING: Yes it specifies.

10 COMMISSIONER KHUMALO: Oh, okay.

ADV K. PILLAY SC: Chair, it would be useful just for me read out Section 7 of the Act, which refers to the investment. It is Section 7[1] states that:

15 *“The money of the Fund, other than money required to meet the current expenditure of the Fund may be deposited on behalf of the fund by the Director General with the PIC to be invested in accordance with the PIC Act and any other applicable legislation.”*

JUDGE: Sure thank you.

COMMISSIONER T. MARUPING: Thank you.

20 JUDGE: Might I ask you something about an element that you mentioned at the beginning, you said that one of your elements of your mandates is to, is the repayment of excess contributions by employers.

COMMISSIONER T. MARUPING: Yes.

JUDGE: What does that mean?

COMMISSIONER T. MARUPING: If an employer as an example is supposed to pay us R10.00 and they pay us R12.00 they have paid R2.00 in excess we need to pay it back to the employer.

JUDGE: Is that all that it means?

5 COMMISSIONER T. MARUPING: Yes.

JUDGE: It is nothing then, it is of no consequence in anything?

COMMISSIONER T. MARUPING: No.

JUDGE: It is not a matter of refunding surpluses.

COMMISSIONER T. MARUPING: No.

10 JUDGE: No, okay thank you.

COMMISSIONER T. MARUPING: Okay I think Chair in the main we are constrained by the stipulation in the Act, just to put it simply on what we can do but what I want to highlight now, I am not skipping these other slides because they are not necessary but I want to maybe for us to
15 move to what is possible within the money that you have, I just want us to touch on the final slide on what is possible within the vehicles that are available within the UIF, there is a number of possibilities Chair with our investment portfolio. We are already investing, Christine touched on it earlier, we are investing with Edu Loan as an example we give them
20 instruction on how best they can ...[intervenes]

JUDGE: All you are doing is lending money to Edu Loan that is what you are doing and you clothe that in the mantle of a social purpose.

COMMISSIONER T. MARUPING: It is a social purpose Chairperson.

JUDGE: Yes but you are lending money at interest rates.

COMMISSIONER T. MARUPING: Return on investment yes.

JUDGE: Pardon?

COMMISSIONER T. MARUPING: It is a return on investment.

JUDGE: Return on investment, call it as you want.

5 COMMISSIONER T. MARUPING: But the percentage is much lower.

JUDGE: Yes but to say that that is, that your purpose is promoting the education of the country is stretching it a bit far, you are looking simply for a means of using your money and one of those useful uses is Edu Loan.

10 COMMISSIONER T. MARUPING: I have a different view Chair. Banks offer different loans at different price range and as UIF we are saying Edu Loan, if you are going to be offering these loans we are giving, we are giving you a loan of a certain amount at 5 percent you can only increase by an percent.

15 JUDGE: Yes.

COMMISSIONER T. MARUPING: Now the loan to students at 6 percent you compare that to what the other institutions are offering it is much higher.

JUDGE: Yes, that is Edu Loans business they are lending that money,
20 not you, you lend it to Edu Loan.

COMMISSIONER T. MARUPING: But we give instruction on how they should lend it.

JUDGE: Yes sure.

COMMISSIONER T. MARUPING: They should not lend it above a

certain percentage.

JUDGE: Yes I understand.

COMMISSIONER T. MARUPING: Yes that is the other part.

JUDGE: Yes.

- 5 COMMISSIONER T. MARUPING: The other piece, there is three possibilities that are possible, upon of course engagement with our principals. NSFAS might not be having sufficient funds in these books, we can treat NSFAS the same way we are treating Edu Loans.

JUDGE: Yes you lend moneys.

- 10 COMMISSIONER T. MARUPING: And avail a bond to NSFAS.

JUDGE: Yes.

COMMISSIONER T. MARUPING: So there is additional funds to avail to students and also possibly at a much lower rate as well that they can offer to students.

- 15 JUDGE: Yes.

- COMMISSIONER T. MARUPING: We can also possibly look at our accommodation projects that possibly what we could do universities, instead of Government spending money to build new universities or to build accommodation for students that come into the Universities those
20 funds can be redirected to other areas and as UIF as part of our property portfolio we can build the properties and the accommodation amongst other things. I will allow Christine to add.

JUDGE: You mean you will finance the building of those?

COMMISSIONER T. MARUPING: We will finance the buildings at a

return but much lower.

JUDGE: Yes of course.

COMMISSIONER T. MARUPING: Yes.

MS. C. FOURIE: Thank you Chair. Maybe just to add on what Mr
5 Maruping was saying is that, the intention is yes there is a social
component to that but for the fund it really goes about job creation and
job retrenching and the reason why we are so heavily into the
construction of the construction sector is because that is, construction
and manufacturing creates jobs at a very lower rate as other industries
10 as well as they we can quickly skill our beneficiaries and place them onto
these projects so for us really it does have a dual benefit it is not only
financial return we sacrifice a portion of that financial return for the social
impact.

JUDGE: I am not sure whether you have or whether the fund has the
15 benefit but the country has the benefit.

MS. C. FOURIE: The country has the benefit and that is also another
aim because the aim of the developmental instruments is really to
stimulate economic growth and that is why we chose the option to go
with unlisted equities because to get the projects off and running and
20 rolling is just much easier and quicker than to go the listed routes which
is a time consuming process and we need that stimulation now not in ten
or five years from now so we have really seen a huge impact on job
creation and job retention with regards to the developmental instruments.

JUDGE: Do people tender for these loans?

25 MS. C. FOURIE: They go through a tender process at PIC's offices and

then they have to fulfil a lot of criteria and even IDC which is a financial service provider they had to go through the same process with PIC so they were not exempted from that process just because they are registered or as well a government institution. I think just one thing that

5 we need to take cognisance of is when we looked at implementation of the amendment bill we do know that at some point we are going to get to a point where we exhaust this massive surplus completely and that was the intention of the amendment bill but it is going to be a process so we will have to craft our future mandates in such a way that it is being done

10 over time so that we mature our bonds which is 30 years maybe sooner, like sell them off but we cannot sell them off all at once we will realise massive losses and that the country ...[intervenes]

JUDGE: Ja one understands that yes.

MS. C. FOURIE: Yes.

15 JUDGE: But that is why we want to see the costing exercise.

MS. C. FOURIE: Yes and that is why, but the costing exercise does not include that sale of the assets.

JUDGE: I am sure yes.

MS. C. FOURIE: Because the costing exercise will inform the mandate

20 that will execute the sale of those assets so we are going to cater the future mandates in such a way that we do mature those long term bond, and long-term financial instruments but in a responsible manners

JUDGE: Yes sure.

COMMISSIONER ALLY: Ms Fourie the actuary, your actuary, what

purpose does he serve in this exercise of forecasting when you will finish up the surplus, in other words that you reach your end point and when you will reach that end point so what purpose, does the actuary assist you in that or is it somebody else who is a forecaster other than the
5 actuary?

MS. C. FOURIE: Chair there will always be a purpose for the actuary because unfortunately as yourself know, not all our beneficiaries come to claim some just do not see their way to come and stand in the queues or submit their claims so they just forfeit their benefit so there will always be
10 some funds that we need to invest, to do something with. We always have to reserve some funds so currently our actuaries will always be there, they have to be there they are appointed by the Act as independent actuaries to perform for us the annual evaluation from which we get the technical reserve and then they also do an asset and
15 liability matching exercise that is where their responsibility stops.

JUDGE: So they calculate the provision?

MS. C. FOURIE: They calculate the provision but the mandate is based on a portion of the provision but also the solvency rate, the solvency scenario as well as the asset and liability matching exercise but the
20 asset and liability matching exercise get interpreted by investment advisors and their proposals gets presented to the board and based on those proposals the mandate then gets adjusted.

COMMISSIONER ALLY: And, so that is the part I was coming to, there is somebody that forecast so your investment advisor tells you that
25 report goes to the board who then approve and you implement. Now you

have indicated that this surplus will shrink because of implications around the amendments, do you have a timeline in terms of your forecast when that, how long it would take for that surplus to shrink to and still remain within solvency levels?

- 5 MS. C. FOURIE: Yes Chair, currently, according to the exercise that has been done it will be in ten years then we will still be solvent.

COMMISSIONER ALLY: So that is the 2026 you mentioned earlier?

MS. C. FOURIE: That is the 2026 date that we mentioned.

JUDGE: Thank you. Sir what else would you like to add?

- 10 COMMISSIONER T. MARUPING: I think Chair we have come to the end of our presentation at this stage, unless if maybe there is further questions.

- ADV T. MABUDA: I have got a few questions in relation to the UIF's proposal to fund the infrastructure deficits for institutions is there
15 requirement for legislation amendments or is this just an issue of amending the mandate itself?

MS. C. FOURIE: Thank you Chairperson, this is just a straightforward question of amending the mandate, increasing our percentage in unlisted property and we can roll with that, it is as easy as that.

- 20 ADV T. MABUDA: So this would have to be a discussion between the Department of Higher Education and Training and the UIF?

MS. C. FOURIE: Thank you Chair through you, yes I think we should also include PIC in that discussions.

ADV T. MABUDA: Just in relation to the fourth proposal on the last page

of the presentation, can you just explain the issue of these private bonds that fund, that the fund will buy via the JSE, just for clarification, I do not seem to get how that is going to work.

MS. C. FOURIE: Thank you Chairperson through you, what we currently
5 have is just a private placed bond so we do all the negotiations upfront between ourselves, IDC and PIC, all the terms and conditions are then negotiated as well as the tranches they will receive, when they will receive it, maturity date of the instrument, interest rate of the instrument as well as the specific criteria they need to meet before they on lend to
10 clients. When we agree on all these terms and conditions they issue a bond, or place a bond at the JSE, we then take up that bond in a draw-down and we just buy the bond.

JUDGE: Yes well all you are telling us is that this is the means at which the money can be lent to the higher education sector?

15 MS. C. FOURIE: Exactly Chair, it is an option that is why we included it under options.

COMMISSIONER KHUMALO: And in that, when you say, clearly define negotiated and supported social impact, what is generated by this?

MS. C. FOURIE: Thank you Chairperson. Currently when we, I am
20 going to use IDC as an example because if we choose to fund something with you we will negotiate that social impact that we require but currently with IDC is they have to prove by audited financial statements that this is how many jobs they created, where they created them, how did they spread them across the country and what was the social impact in
25 specific environments.

COMMISSIONER KHUMALO: Would it be in line with the social impact bonds maybe the issuing of that?

MS. C. FOURIE: Yes Chair it is regarded as a social, a developmental instrument on the SRI side, social responsible investments.

5 COMMISSIONER KHUMALO: Okay.

MS. C. FOURIE: So we do sacrifice a small return for the social impact but then we should be able to measure that social impact.

JUDGE: Were you approached by the presidential task team which was investigating funding of education for the poor and middle sector in the
10 course of the last six months to see whether you could lend money at a reduced rate to them?

COMMISSIONER T. MARUPING: I will say for the UIF I am not aware they might have approached maybe the Department at the ministerial level so we cannot confirm for certain.

15 JUDGE: Thank you.

ADV T. MABUDA: No further questions from us Chair.

JUDGE: Yes, how soon do you think you could let us or let the evidence leaders have details of the costing?

MS. C. FOURIE: Chair I think the report is ready, if you do not mind
20 having it in this format we can make it available immediately.

JUDGE: Thank you. Alright thank you very much indeed for a most interesting presentation and we will, we may ask you to come again depending on what we see in the costing exercise and we may also wish to speak to your actuary as well but we will see. Thank you very much.

Thank you for your cooperation.

COMMISSIONER T. MARUPING: Thank you Chair, for the time.

NO FURTHER QUESTIONS

ADV K. PILLAY SC: Thank you Chair may we take the lunch
5 adjournment now while we wait for the next witness to arrive.

JUDGE: Do we only have Tutonic Progress in the matter at 14:00?

ADV K. PILLAY SC: I am not sure exactly what time the witness will
arrive, in all probability they will arrive a bit earlier.

JUDGE: Alright thank you. Well then we will make ourselves available
10 earlier if you desire that.

ADV K. PILLAY SC: Thank you Chair.

JUDGE: Thank you.

MEETING ADJOURNS

MEETING RESUMES

JUDGE: Yes Miss Pillay.

15 ADV K. PILLAY SC: Thank you Chair the next witnesses are from the
Embassy of the Federal Republic of Germany and Mr Mabuda will be
leading the evidence Chair.

JUDGE: Welcome to you. It is the practice at this stage of the hearing
to swear the witnesses in, do you have any objection to giving evidence
20 under oath?

MS. E. ZIEGERT: No absolutely not.

JUDGE: Do you swear that the evidence that you will give will be the
truth the whole truth and nothing but the truth, if you do say so help me
God.

MS. E. ZIEGERT: Yes so help me God.

MS E. ZIEGERT: [d.s.s.]

JUDGE: Thank you. Does your colleague also intend to give evidence?

MS. E. ZIEGERT: No sir.

5 JUDGE: Thank you.

ADV. T. MABUDA: Thank you Chair.

JUDGE: It is Miss Ziegert?

MS. E. ZIEGERT: Correct yes.

JUDGE: Yes thank you. Yes Mr Mabuda.

10 ADV. T. MABUDA: Thank you Chair. Miss Ziegert just before you proceed just for the record could you please give us a summary of your qualifications and your work experience is and what your position is at the German Embassy?

MS. E. ZIEGERT: Yes thank you Mr Mabuda. My name is Eva Ziegert I
15 am head of education, research, science and innovation at the German Embassy in Pretoria, in this capacity I am responsible for bilateral cooperation in the areas of post school education and the other fields of course I mentioned. I have a background in public business administration and environmental sciences.

20 ADV. T. MABUDA: Thank you, Chair Miss Ziegert has prepared a presentation for the commission, we have not had, we do not have a copy of it, I have it on my screen so I think we are going to have to follow it.

JUDGE: That is fine, that is perfectly satisfactory thank you.

COMMISSIONER ALLY: Except Mr Mabuda is there any reason why we have the light back with us except for that, is it for the video or for your purposes?

ADV. T. MABUDA: It is not for my purpose we have got the two screens
5 for our benefit so if it is a concern for the Judge which I am sure it is.

JUDGE: Well it is it is rather like the laser.

ADV. T. MABUDA: Ja.

ADV. K. PILLAY SC: We are told Commissioner Ally that there is a video that forms part of the presentation and that will not appear on the
10 screens.

JUDGE: Well then I will endure it.

ADV. K. PILLAY SC: Ja, it might be easier if you shift positions Judge where you are not in direct line.

JUDGE: It does not seem to make a lot of difference.

15 ADV. K. PILLAY SC: Okay.

JUDGE: Anyway, but if I fall over you can just continue. Yes thank you Mr Mabuda.

ADV. T. MABUDA: Miss Ziegert you can proceed with your presentation.

MS. E. ZIEGERT: Okay should I go through the entire presentation
20 because I have just been, I have prepared the presentation but I have just been told that you would rather ask questions.

ADV. T. MABUDA: You can proceed with your presentation ultimately our interest is the funding of the higher education system in Germany, you can proceed with your presentation and if we have any questions we

will ask as and when they arise.

MS. E. ZIEGERT: Okay thank you very much I will do that.

JUDGE: But if you go beyond our mandate it is something that we will find interesting no doubt.

5 MS. E. ZIEGERT: Okay, ja I will just start then. Because I would first like to actually start with a brief introduction to the actual educational system in Germany just so you can see where, how it is built up, how people enter the higher education system in particular and of course I would like to stress that this is a module that works for us, I am not trying
10 to say that everybody should do it this way it is just our way of funding and of structuring our educational system. So in my presentation I would like to follow, to focus on three main aspects which will be the structure of the education system which is very different from the South African model, the funding of higher education including the source of funding
15 and the allocation of funds and then lastly I would also like to briefly touch upon our vocational education training system as this is also very different and I have been asked to briefly speak about that as well.

So coming to the education system, I hope you are all able to see that more or less, so we have different types of high schools that
20 builds upon a common primary education that lasts four years and then you follow up on different high schools which can take up to 13 years of school education in total and only these 13 years will allow you to enter into institutions of higher education such as Universities and Universities of Applied Sciences. If you do choose a different form of school such as
25 a 'vialshule' or 'hautshule' you will finish your school education in years 9

investigators report 10 and can then enter into vocational education so while your peers might still be in school you are already working and getting an apprenticeship. A few facts and figures about the school system, in 2015 approximately 17 million children and young adults were
5 registered in the German education ...[intervenes]

ADV. T. MABUDA: 17.

MS. E. ZIEGERT: 17.

ADV. T. MABUDA: 17 million yes.

MS. E. ZIEGERT: Were registered in the German education system
10 from kindergarten to secondary and tertiary education and vocational training, out of these 17 million nearly 3 million were enrolled in one of our 400 Universities that includes conventional Universities, Unis of Applied Sciences, Colleges of Film, Art and Music taking one of nearly 18 000 courses on offer. This also means that roughly 50 percent of
15 high school graduates take up studying. Currently each one of these undergraduate students costs his or her higher education institution 26 000 Euros over the duration of an average of four years study course which roughly translates to R370 000.

ADV. T. MABUDA: Sorry Miss Ziegert before you proceed, what
20 happens to the other 50 percent of the young people, the second last bullet point, it says 50 percent of Germany's young people take up studying, what do you?

MS. E. ZIEGERT: The rest of them will find themselves in vocational
25 training or not pursue a formal way of education but go straight into the labour market so these 50 percent go to higher education institutions not

vocational training?

JUDGE: I am sorry Miss Ziegert is higher education not regarded as equivalent, sorry is vocational training not regarded as higher education?

MS. E. ZIEGERT: No not in this case.

5 COMMISSIONER KHUMALO: So the 50 percent is it varsity students only?

MS. E. ZIEGERT: Yes.

COMMISSIONER KHUMALO: Oh okay.

ADV. K. PILLAY SC: May I just ask, the 26 000 Euros is that just for
10 tuition costs?

MS. E. ZIEGERT: That is not just tuition that is all the costs that Universities or institutions of higher education face when teaching or basically teaching so it is infrastructure, it is lecturers, it is professors and so on.

15 COMMISSIONER ALLY: Miss Ziegert I think the question that Miss Pillay goes a little further, my understanding of German education, you do not necessarily have hostels where you take up where students are living so the amount of 26 000 will include tuition, books and whatever you need to study and not necessarily accommodation because
20 Universities are established in various cities and people of those cities then attend those Universities, is that correct?

MS. E. ZIEGERT: That is correct, it is not the cost that fall onto the individual student for him to pay but it falls onto the University to provide a library, to provide computers and infrastructure and tuition of course.

ADV. T. MABUDA: Is this an agreed amount across the board, is this applicable to all Universities?

MS. E. ZIEGERT: Yes that is the average cost that we calculate with yes.

5 JUDGE : So this is cost you are speaking of but not the cost to the student.

MS. E. ZIEGERT: Correct.

JUDGE: Yes.

COMMISSIONER KHUMALO: And does it reduce later because it says
10 every new student costs, when the student becomes older does it reduce?

MS. E. ZIEGERT: It does not reduce it is an amount that a student costs on average for a four year undergraduate education and if he or her pursues a further degree such as a masters that amount, and I show that
15 on the next slide I believe, will increase of course so the longer the education takes that of course that amount also increases.

ADV. K. PILLAY SC: And you mentioned that the amount is an average amount does that mean that it differs from institution to institution?

MS. E. ZIEGERT: No it is an amount that we have to set in order to be
20 able to calculate the cost. I will continue and speak about how we can finance this if we want to make education free for all and this is where our federal system comes in, the Federal Republic of Germany comprises 16 federal states, our so called The land, it is them who are responsible for schools and Universities but the federal government

supports them with 50 percent of the costs up to a maximum about of a bit over 14 billion Euros or an equivalent of R203.5 billion. If there are any further expenses the state or The land are obliged to cover these.

JUDGE: That is the overall contribution by the federal government?

5 MS. E. ZIEGERT: Yes so per student the federal republic would pay 13 000 over a four year period of undergraduate studies and the federal state would have to pay the other 13 000 but if there are more students the federal state will have to cover the additional costs because the federal republics contribution is capped at the 14 billion Euros. And
10 annually the federal states hand in a report breaking down the individual budgets and if they for example have several dropouts then they will have to reimburse the federal republic on the money they already received so they will have to pay it back.

This payment plan is part of an official agreement between the
15 federal and the provincial, the lender governments, the so called federal government and lender packed for higher education 2020, this agreement was made in a joint science conference regularly held between the federal government and the standing conference of ministers of education and cultural affairs of The land and the pact states
20 that to keep up with the growing influx of students into the tertiary sector the federal and lender governments are to jointly fund up to 760.033 additional study places over the next few years. They moreover agreed to focus on the provision of additional staff of high academic level for higher education and to offer high quality studies and for this the federal
25 government alone will be providing 9.9 billion Euro up to 2023. The land

are going to make comparable financial contribution and ensure overall funding.

COMMISSIONER ALLY: Now Miss Ziegert in respect of your higher education or rather your education system you have immigrants that
5 come into Germany, those that have residency within Germany are they entitled to the same as the citizens of Germany or are they treated in a different manner where they would have to pay for their education?

MS. E. ZIEGERT: No of course they are treated equally.

COMMISSIONER ALLY: Equally in what sense, that the state pays for
10 their education also, you do not have to be a citizen to get that benefit from the state, do you understand what I am ...[intervenes]

MS. E. ZIEGERT: Yes I understand what you mean.

COMMISSIONER ALLY: So for instance I move from South Africa to Germany, I am not a citizen as yet I am just staying there and I have kids
15 there that are at school going age or University going age, to those particular kids have the same benefit of going to that institutions without paying, what you are paying for is your transport to get there and so forth.

MS. E. ZIEGERT: I cannot tell you with absolute certainty if foreigners
20 do not pay tuition at all but they do receive funding to substantial amount so the 26 000 will not then fall on you as a parent.

COMMISSIONER ALLY: Thanks.

ADV. K. PILLAY SC: Miss Ziegert may I ask, what is the policy reason behind the decision to fund free higher education?

MS. E. ZIEGERT: Well it is, the main reason is that we strongly believe that everybody should have access to higher education or any level of education they desire to pursue regardless of their financial or family background. Because we believe that in a globalised economy and in a knowledge based economy education is absolute key to staying competitive and we therefore strongly prioritise education in our overall governmental budget from primary education all the way through to higher education which also means that the budget of higher education is hardly ever touched so we try to keep it at the very least at the previous years standards in order to keep up.

ADV. K. PILLAY SC: Now do graduates in Germany get paid or get jobs, higher paying jobs than other citizens?

MS. E. ZIEGERT: Also yes, I think on average you could say that this is the case, of course if you have gone through the apprenticeship door of vocational education system and you have done your masters, in that area you are self employed, you are good at your job, you do have the chance to make more money than any academic around you could ever make but to generalise it you can say that of course University graduate can have access to higher paid jobs in the future.

ADV. K. PILLAY SC: Now in the context of the debates that this commission is dealing with, we have heard submissions that of course there is, higher education is a public good which is what you have been referring to earlier but at the same time because individuals who obtain higher education end up with higher paying jobs eventually than other citizens that there is a significant private good attached to it and for that

reason philosophically students should be required to pay for their higher education.

MS. E. ZIEGERT: I can understand this reasoning, we still believe that our system works for us and that everybody should have access and be
5 the creator of his or her own fate and of course this is also connected to the struggle to not downplay vocational education that is a high risk so I think it is definitely I mean we too need to work on keeping up that reputation that as an artisan you are a highly skilled professional and should not be regarded any less than any academic.

10 ADV. K. PILLAY SC: And can I just ask so that we understand the presentation a bit clearer, the institutions, the higher education institutions in Germany are those autonomous institutions or are they state controlled institutions?

MS. E. ZIEGERT: They are largely autonomous institutions, they are as
15 I mentioned they are administered by the different states but they can choose their own courses, they can choose their own focus points and where they obtain maybe third funding from somewhere else.

JUDGE: What control does the federal government have over the Universities?

20 MS. E. ZIEGERT: Well it has a certain influence of course because it provides this large amount of funding but we try to keep our Universities as autonomous as possible in order to give them space to develop, there are certain standards of course that are being set by The land in accordance with over arching national standards that have to be met.

25 COMMISSIONER ALLY: So to understand you correctly at the federal

government sphere you have norms and standards that are set and at The land or federal state sphere you have them implementing their own norms and standards but not very different from what the federal government has set, is that correct?

5 MS. E. ZIEGERT: Yes of course there is an over arching quality assurance that has to be met and kept at all times or potentially even surpassed.

COMMISSIONER ALLY: And that quality assurance is it controlled by the federal government or by The land?

10 MS. E. ZIEGERT: Well The land are responsible for this course and Universities yes.

COMMISSIONER ALLY: So how does the federal government itself then have any control if at all, if we go back to how you explained the system that you have the federal government which is in Berlin or wherever it is
15 and then you get the federal state who then control the education institutions within their area so what does the federal government in Berlin, what say do they have at besides giving the money?

MS. E. ZIEGERT: I mean the over arching responsibility for education nationwide lies within the ministry of education and research so they are
20 the ones who set the strategy that is then implemented over the different The land.

JUDGE: Is the federal government represented in the councils of the Universities?

MS. E. ZIEGERT: I am not entirely sure about that, it could be I am not
25 sure.

COMMISSIONER ALLY: But there is probably monitoring and evaluation done by the federal government in order to ensure that their strategy is implemented after all they are providing the funds for that education.

MS. E. ZIEGERT: I am not entire sure what specific instruments are
5 being used to monitor individual Universities but I am sure that through statistical evaluation they will look at dropout rates, they will look at enrolment rates and how they are distributed over the different courses.

COMMISSIONER ALLY: Okay thank you.

JUDGE: Is there great competition between German Universities?

10 MS. E. ZIEGERT: It depends on the field, of course we have Universities that are highly specialised in different areas for example the engineering sciences but they can of course, because they are in a competitive area they can make it very hard for students to get in so that only the best of the best students will actually make it into their
15 University and then of course once they achieve their degrees they will have a certain reputation which does not mean that all the other institutions are not qualitatively good but of course if you know that you might not want to go into a highly excellent University, maybe also if you are looking not to stay in academia but looking to access the job market
20 as soon as possible you might choose a different path.

ADV. K. PILLAY SC: And can you tell us how does the federal government control the enrolment numbers in institutions?

MS. E. ZIEGERT: The federal government does not control the enrolment numbers, it is the Universities that have to deal with
25 enrolments so that for certain courses for example especially when they

are highly sought after or if you are looking at courses like Madison or law where you really want your top students in you set standards so that only students, high school students with a certain overall mark in their final exams will be able to access these courses of study or otherwise
5 will have to wait for several semesters to be later on admitted into courses.

JUDGE: Do the prospective students have complete freedom to go to any of The land in order to apply for University?

MS. E. ZIEGERT: Yes they absolutely do and that is possible because
10 their final exam is the same nationwide.

ADV. K. PILLAY SC: And how does the government ensure that the average cost that you have mentioned, the 26 000 Euros, that that is as close as possible to the actual cost of attached to an institution?

MS. E. ZIEGERT: Well this is I would imagine re-evaluated on a regular
15 basis and also if it does not completely match the actual costs The land will have to then cover the difference so it is not necessarily the federal states responsibility to come up with the difference.

ADV. K. PILLAY SC: And how does The land ensure that the institution operates within certain cost parameters, so in other words that it does
20 not have an open ended obligation to pay?

MS. E. ZIEGERT: You are completely right, of course The land will not find anything that the University is asking for and so Universities might also be obliged to look for third funding through different grants for example so it is not a free well free ticket to spend as much as you like
25 as a University and then expect The land to fill in.

JUDGE: If there is a common examination is it a common annual examination or only a final examination at the end of the degree?

MS. E. ZIEGERT: Only the final examination to receive your high school diploma is the same nationwide.

5 JUDGE: High school diploma, not the University?

MS. E. ZIEGERT: No it is the high school diploma that then allows you to enter into University.

JUDGE: I see.

MS. E. ZIEGERT: And because that degree is the same nationwide you
10 are free to choose your University anywhere in the country.

JUDGE: Oh I see then in fact the Universities do not set the same exams?

MS. E. ZIEGERT: Not, not at all.

COMMISSIONER ALLY: So that particular certificate or diploma would
15 be the equivalent of the matric in South Africa that allows you to go into your next phase of education?

MS. E. ZIEGERT: Yes correct.

COMMISSIONER KHUMALO: The number of students that pass matric
how is it in relation to the 50 that you saying take up studying, you
20 remember on an earlier slide you were saying 50 percent so roughly what number is it the post school numbers, matriculants so to speak?

MS. E. ZIEGERT: I cannot give you the exact number of, well I can give you the number of students going to Universities that would be 3 million per annum correctly ja, and I cannot exactly tell you ...[intervenes]

COMMISSIONER KHUMALO: I think that should be sufficient but maybe just to align it, I wanted to see how successful the basic schooling is, the readiness for passing so you saying 3 million usually are the qualifying ones from a pool of how many maybe?

5 MS. E. ZIEGERT: I do not have the overall number of high school graduates but if you do not pass your final exam you can repeat it the next year so you will stay in school and you just repeat the year which of course still does not mean that every year everybody passes but most students do pass and if they do not they will most likely pass the next
10 year, if they still do not pass the next year they still have the chance to leave school and they have already certificate that allows them to enter into vocational training as an alternative.

COMMISSIONER ALLY: The 17 million you mentioned, if you look at your document it is not on the slide and of the 17 million you are saying
15 plus minus 3 million go into the higher education system so what is the 17 million refer to there?

MS. E. ZIEGERT: The 17 million are all children currently in the education system so from primary school all the way through high school and tertiary education and vocational training.

20 JUDGE: Well you did say that 50 percent of students study at University, as I understood it.

MS. E. ZIEGERT: Yes 50 percent of high school graduates.

JUDGE: Well that would suggest that therefore 50 percent do not and accordingly that is 3 million because you told us that 3 million do and
25 then I would assume the 3 million do not.

MS. E. ZIEGERT: That is correct ja.

JUDGE: Yes, do you know whether there are problems between articulating the school system and the University system or is there a smooth transition?

5 MS. E. ZIEGERT: You mean when you graduated your matric, it is quite a smooth transition usually, you have your summer break and then you start with the winter semester in September usually.

JUDGE: The reason why I asked the question is because in South Africa for a variety of reasons social and otherwise the students have difficulty
10 in making the leap from school to University and so there is quite a high failure rate in first year, is that the German experience or not?

MS. E. ZIEGERT: Well I believe if you are in the track, in the high school track that will lead to a high school leaving diploma that allows you to go into higher education or University you are mentally prepared I think to
15 take up your studies but of course there is a certain failure rate especially in the hard sciences, your information engineering and all of that where Universities are also making it very hard particularly in the first year to sort of sort out the crop, I cannot give you a percentage though and I think it is very different depending on the course of study.

20 JUDGE: Yes thank you.

ADV. T. MABUDA: You can proceed with your presentation.

MS. E. ZIEGERT: Okay thank you let me quickly see where I was. I was previously speaking about the federal government and The land pact for higher education and what the aims were and just to give you an
25 overview, over the entire term of the merger which started in 2007 and

will run until 2023 the federal government will be providing a total of 20.2 billion Euros which equals to R290 billion and The land will contribute 18.3 billion Euros which equals R263 billion at the moment.

JUDGE: That 2020 at the top is it just coincidence that is the same as
5 the R2.2 billion or R202 billion or is that a reference to the amount, is it the date or is it the amount?

MS. E. ZIEGERT: Sorry can you?

JUDGE: The 'hautshule' 2020 is that the year or is it the amount?

MS. E. ZIEGERT: Oh I understand, no it is the year.

10 JUDGE: It is the year okay thank you, the figures seem to be coincidental.

MS. E. ZIEGERT: I did not even notice but well spotted yes.

JUDGE: Alright.

MS. E. ZIEGERT: So the third phase of the higher education pact which
15 we now find ourselves in, The land are going to use 10 percent of the federal and The land funding from 2016 to enable more students to successfully complete their studies on a quality assured basis. In addition The land have pledged to provide more vocationally qualified individuals access to higher education. To have a look at where the
20 money actually comes from that we put into our education system, the federal republic and state, no let me start differently, in 2014 we allocated 9.1 percent of our overall GDP to education, science and research, the expenditure was at a, no wait sorry, of which the major part went to the education sector, 6.5 percent ...[intervenes]

ADV. K. PILLAY SC: Miss Ziegert may I ask, do you know the amount that was allocated to higher education specifically, your percentage of GDP?

COMMISSIONER ALLY: Because you will see what you are reflecting
5 6.5 percent is for education as a whole so Miss Pillay is trying to Zone into higher education of the 6.5 percent.

MS. E. ZIEGERT: Yes the 6.5 percent, oh ja that is, let me quickly read this, the 6.5 of the education sector overall and into higher education I think we can take it from the previous slide which is very small but you
10 can see that in 2014 down at the bottom left is what Germany put into higher education in the framework of its pact with The Land so in the right column you have all the different The Land and then on the very bottom you have the contribution of the federal government and that is in thousand Euros. To continue, so the expenditure was converted to R3.7
15 trillion and in future is aimed to increase to 10 percent of GDP for expenditure on education, science and research

COMMISSIONER ALLY: And education, science and research is one specific department and not separate departments?

MS. E. ZIEGERT: Yes correct in Germany it is combined in one federal
20 department. So four fifths of the education budget is financed through the public sector entities so your government while the other fifth comes from the private sector. On the next slide we will look at how this money is distributed over the education sector.

ADV. T. MABUDA: Sorry Miss Ziegert before you proceed, on the
25 previous slide you said one fifth is financed through the private sector,

entities and organisations without pecuniary rewards, now what type of motivation do these private entities have to contribute to higher education?

MS. E. ZIEGERT: They might for example find themselves contributing
5 to research projects that then of course also have a human capacity development aspect.

ADV. T. MABUDA: The one fifth is in essence that stream income.

MS. E. ZIEGERT: That stream income and I could imagine that it also is partly through tax contribution of the private sector.

10 JUDGE: You were asked just now about the percentage of GDP for higher education, you told us earlier that the federal government will pay 9.9 billion Euros and The land 9.9 billion Euros and now if as is stated on this slide 190.7 billion Euros is 6.5 percent of GDP which is what it says then R9 billion is about a 20th, just under a 20th of that which means that
15 the federal governments contribution to GDP is about 0.3 percent.

MS. E. ZIEGERT: No the 9.9 that I mentioned, let me quickly go back to it, were with regards to the new measures, I will quickly go back in the slide, to the new measures in the framework of the 'hautshule' pact until 2023 so in fact well per year, no let me quickly, per year you can see the
20 contributions of the federal state in the bottom column.

JUDGE: Yes.

MS. E. ZIEGERT: So in this case it is shew 1.8 trillion, is that correct, million times a thousand, ja it is 1.8 trillion in 2014.

COMMISSIONER ALLY: I think that is 1.8 billion.

JUDGE: No.

COMMISSIONER ALLY: Euros, we talk about Euros.

MS. E. ZIEGERT: Yes correct.

COMMISSIONER ALLY: It cannot be trillion, I think it is 1.8 billion Euros
5 and you talking rands then you get into trillions.

MS. E. ZIEGERT: But it says planned funds in thousand Euros, sorry it
says that in German on the top so as it says 1.8 million in the bottom
column 2014 you would have to take that times a thousand. So to come
back to how the funds are spread over the education sector you will find
10 in orange the elementary sector which means kindergarten and nursery
school, the blue would represent primary and high schools, the tertiary
sector meaning in this case Universities and vocational schools in yellow
and the green and red form further formal post school education skills
development measures. As you can see especially the school system
15 has a large share of the funds being provided by the government and
which can be explained by the fact that it is important to provide better
education to scholars from a young age we believe. Vocational training,
Universities etcetera in the tertiary field which is the yellow field here
receive a share of 18 percent which is approximately 34 billion Euros or
20 R493 billion that is invested.

So how the state or how the share is being or the burden is
shared between The land, how it is decided how much they are, they
have to pay very much depends on the tax incomes they each have and
the funding they then receive as I alluded to earlier very much depends
25 on the number of students they have in their different Universities. And

then I would like to very briefly touch on different initiatives to further support Universities apart from what I presented up until now and one of these measures is so called excellence initiative. It was agreed upon in 2005 and provides additional funding to a selected few Universities
5 across the country who in the highly competitive process have been identified as exceptional teaching and research facilities.

The aim of the project is to strengthen and boost the science habitat in Germany and hence Germany's international competitiveness and make cutting edge research quality of the University and science
10 more apparent. The German research society, the DFG is responsible for this measure and from 2016 on will receive 2.7 billion Euros which equals R39 billion for the next five years to allocate to the selected Universities across the country. Since the start of the initiative in, 45
15 been supported by the initiative. I think I can quickly go over this and come back to how students finance their studies in Germany because as you rightfully said Advocate Ally, we do call it free education but it does not mean that all your expenses are being covered it means that you do not have to pay for your tuition but of course you will have to find
20 hocusing, you have to find food and you have to take care of your personal health insurances etcetera. So that you can roughly say that a student in Germany needs around 800 Euros to get around and to basically cover their needs.

JUDGE: 800 Euros a month?

25 MS. E. ZIEGERT: Yes especially for housing and groceries. They do

pay a minimal fee, it is an administration fee to the Universities but this fee also grants them a ticket for free public transport so it is roughly 120 Euros that you pay per semester to your University and in return you receive the free public transport ticket which almost has an equal value.

5 So how do students fund themselves in Germany, it is mainly support by their parents but it is also a very common that students work during their studies to make ends meet and then of course you will find different scholarship opportunities of which I would like to present two that are the most prominent ones, the first one would be our 'Barfac' [?] we tried to
10 translate it, I gave up.

COMMISSIONER ALLY: Judge can you help us.

JUDGE: Well do not give up, how would you translate it?

MS. E. ZIEGERT: Well it is, in German it is the [vernacular] so it is the federal regulation on education funding.

15 JUDGE: Alright that is clear enough.

MS. E. ZIEGERT: Well the, as I mentioned earlier we believe that education should be made available to everybody regardless of their social or financial situation which is why the federal republic offers students in need the so called 'Barfac' to support them in their studies
20 which can also already be in their later high school years leading directly up to University and in 2014 the amount that was spent by the government was at 3.14 billion Euros are roughly R45 billion.

JUDGE: No that is for personal expenses.

MS. E. ZIEGERT: Yes.

JUDGE: And books did you say books are provided or books are not provided?

MS. E. ZIEGERT: Books are not provided they would also come out of that.

5 JUDGE: And computers as well I take it.

MS. E. ZIEGERT: Yes correct.

JUDGE: I see.

ADV. T. MABUDA: So Miss Ziegert before you proceed, is this funding available to foreign nationals for instance if someone decides to go study
10 in Germany would they be able to access this funding?

MS. E. ZIEGERT: I am not a hundred percent sure but I do not necessarily think it is, there are other scholarship opportunities though for foreign nationals.

ADV. T. MABUDA: Okay thank you.

15 JUDGE: Can I just ask you in relation to this, as I look at it I question in my mind whether every student in Germany has to go to the University or whether there is the opportunity to study through technology, through an internet café or something of that kind, are University courses put online?

20 MS. E. ZIEGERT: There are a few opportunities for distance learning courses, there is also one University, the University of Hagen that is very strong in that, they consider themselves the biggest University in Germany actually which is well a mix between distance learning and online learning but formal University training is done in the University, it

is unusual to study from home however there are private institutions that can offer also part time courses for professionals.

JUDGE: Is Hagen a success?

MS. E. ZIEGERT: Excuse me?

5 JUDGE: Is Hagen a success?

MS. E. ZIEGERT: Yes it is, it is, they even have, it is a full University there is no difference between any other University and the degree you receive from Hagen you can even receive a PHD from them which is unique, they are the only University that offers this type of course and is
10 allowed to award you with a PHD.

COMMISSIONER ALLY: So if you have comparison with our Unisa would Hagen be in that line, so Unisa as you know is a distance learning education institution, not all nowadays because there are people that go daily into Unisa but Hagen would be a close comparison with Unisa?

15 MS. E. ZIEGERT: Yes correct, I believe they even have cooperation the two Universities. So to see how 'Barfac' works, it is a highly individual process, if you are eligible for 'Barfac' or not very much depends on the household income, how many people live in the household, where you live, how many siblings you have that are still going to school etcetera so
20 it is difficult to give an exact amount how much your parents can earn of you to be eligible for 'Barfac' but it is mostly for the deserving students. There you can also see coming to your question Advocate Mabuda, it is for German citizens, certain EU nationals and certain immigrants so there are people outside of you know German passport holders that are
25 eligible to apply for a 'Barfac'.

The amount received is as I said based on the family income and also depends on your personal circumstances, if you have children for example. The students must start paying back their 'Barfac' within five years after they received the last of the sponsorship but they only
5 have to pay back to a maximum amount of 10 000 Euros or R145 000.

ADV. K. PILLAY SC: Miss Ziegert may I ask is post grad studies funded in Germany, does the state provide free postgrad study?

MS. E. ZIEGERT: Yes you can apply for 'Barfac' in your postgraduate studies although I believe that there are several, a lot more attractive
10 options when you are already in postgraduate especially for PHD students you will have much more attractive research grants.

ADV. K. PILLAY SC: Do postgrad students pay tuition fees?

MS. E. ZIEGERT: No, well only the administration fee that I spoke about and in fact as we are speaking by postgraduate students as a PHD
15 student in Germany it is common that you are employed by the University so you do not pay for your studies you are being paid for the work that you do at University.

JUDGE: I am sorry can we revert to the previous slid, no I did not quite understand that, you distinguish between scholars and students there.

20 MS. E. ZIEGERT: Yes.

JUDGE: What is the significance of that?

MS. E. ZIEGERT: Scholars being high school students so you can already apply for a 'Barfac' when you are still in high school to support your living expenses and to enable you to finish your high school.

JUDGE: I see and then it is an outright grant.

MS. E. ZIEGERT: Yes.

JUDGE: I see and then if you go to University you can get, you can apply for 'Barfac' and you get half a grant, I am not sure what half a grant is, either you get a grant or you do not get a grant, what is half a grant?

MS. E. ZIEGERT: Well it is a, what we meant it is a grant that you have to pay back up to the amount we gave, you probably receive more than 10 000 Euros so part of it is the grant and part of it you need to pay back.

10 JUDGE: Yes I see.

COMMISSIONER KHUMALO: So the five years payment period is it after the completion of the degree or after attaining employment or capability to repay?

MS. E. ZIEGERT: It is after you received the sponsorship so that once your 'Barfac' has concluded because you for example finished your undergraduate studies, I believe regardless of whether or not you are employed you are supposed to start paying back your grant.

COMMISSIONER ALLY: Now do you have knowledge or not of the recovery of the half 'Barfac' that they receive because I would imagine the student has completed does not necessarily find work, do you had any knowledge of the recovery rate of this amount which more or less seems the half is a loan as it were?

MS. E. ZIEGERT: I unfortunately do not know.

COMMISSIONER ALLY: That is fine.

MS. E. ZIEGERT: Okay. To come to another instrument which would be the student loan, the government offers a special student loan to some students in Germany which we call the education credit or education loan directly translated and this too depends on the income and worth of the applicant or their parents or their partners if they are in a later stage of their life. The student loan can be given to students that have completed 18 years of their life and have a job qualifying education or that are striving for such and are in their second last year. The nationality requirements are the same as with the 'Barfac' and you can only apply for it when you are no older than 36 years of age?

JUDGE: Older or younger?

MS. E. ZIEGERT: Not older.

JUDGE: Not older I beg your pardon.

COMMISSIONER ALLY: Miss Ziegert I am not understanding, why would the student apply for a loan where your tuition is subsidised, in other words paid for, you have a situation where you receive a 'Barfac' why would you want a loan when you have all these other areas, perhaps you can just enlighten us as to why you would as a student you would want to apply for a loan?

MS. E. ZIEGERT: I believe that this would be applicable to students who are not eligible for a 'Barfac' and who need to find different ways of supporting themselves during their studies.

COMMISSIONER ALLY: If you can just go back to the slide dealing with the 'Barfac', the previous one.

MS. E. ZIEGERT: Is it this one?

COMMISSIONER ALLY: Yes because that seems to be the requirement to receive a 'Barfac' namely that not everybody supported depends on the parents affordability or partners affordability so if we compare to South African situation it would probably be the missing middle that we
5 are talking about who end up applying for these loans that you have indicated, am I correct?

MS. E. ZIEGERT: Yes you could compare it to that.

JUDGE: There is also an age difference which the older person, if I might put it that way, on the scale would apply for the loan.

10 MS. E. ZIEGERT: Correct.

JUDGE: Because presumably he would have been employed for some time.

MS. E. ZIEGERT: Yes correct.

JUDGE: And would therefore be more able to pay back the whole loan,
15 it is the whole loan that is repayable I take it under the Student Loan Scheme.

MS. E. ZIEGERT: Yes.

JUDGE: Whereas here it is the younger person and he only pays up half, yes I see.

20 MS. E. ZIEGERT: Yes. Also the student loan is usually lower than 'Barfac' you could say because it is up to R4500 a month and 'Barfac' usually goes far beyond that. I think we can also actually skip the video because it was supposed to give a short introduction on how the dual vocational education system works in Germany, I am not sure how

interested you are in that otherwise we can briefly show it.

JUDGE: Well I would have thought we were interested but are we interested Mr Mabuda or not?

ADV. T. MABUDA: Or are we technologically challenged at the moment?

5 JUDGE: Should we be interested.

ADV. T. MABUDA: I think it is worth listening to Chair.

JUDGE: Yes we will sit, if you have taken the trouble to prepare it we will take the trouble to listen to it.

MS. E. ZIEGERT: Thank you very much, it is a very simplified video but
10 it gives me a three minute break and it is just explain roughly and in a way simplified form, it is a different target audience how the dual system works and we can just quickly play it. It gives an example of a German student and their path through the dual education system

[video being played]

15 MS. E. ZIEGERT: Do you have any questions on the dual system so far?

COMMISSIONER ALLY: Just the one here towards the end where they indicated Milo can go onto University without a high school leaving certificate, I did not understand how that would be possible. If you take
20 your system into consideration you have your school and then you have got your two forms of vocation so what that meant that last sentence almost means that you do not need your school leaving certificate, the equivalent of matric, to get into University, I am not sure if that is correct.

MS. E. ZIEGERT: It is correct actually, to be eligible for vocational

training you need to have completed the 10 years of school education will then take on your vocational training that means during your vocational training you are still going to school and this once you have completed your vocational apprenticeship can give you access to
5 Universities of applied sciences specifically.

JUDGE: At what stage is this career guidance offered, where are you in the school when that is offered?

MS. E. ZIEGERT: That depends on the form of school you are in but usually it is offered in year 9 or 8 even so that if you decide to leave
10 school even if you are on the track that leads you to University you can still I mean the school at any time so that you are prepared to look for the suitable apprenticeship for you or the suitable studies so that is offered quite early on and then for the students that stay in the track that goes to University are being counselled throughout their later years of
15 high school as well.

JUDGE: Now we have been told that Germany gives great support and considers of great importance its vocational guidance system, vocational training system I should say and that Germany considers that the vocational training system is the backbone of its economy, would that be
20 correct?

MS. E. ZIEGERT: Yes we do consider especially our small and medium size enterprises the backbone of our economic strength so to say and they are very often artisan company's often family led self employed artisans so they would have gone through the vocational education
25 system that is why yes we regard it very highly.

JUDGE: Is difficulty found in matching the student who wants the vocational training with a place to do the practical training because it is a problem that we apparently have in this country that too many students in training colleges, in the vocational training colleges cannot find a
5 matching employer for the practical experience.

MS. E. ZIEGERT: Actually that is not a very high problem that we have at the moment also because company's are willing to train more students or apprentices than they will later on take on so they will put them through their apprenticeships but out of five students for example they
10 train they will only take on three but the other two will then still be well trained and able to go somewhere else so it not a very prominent problem, sometimes it is more that the company's complain about not finding students that are willing to do apprenticeships.

JUDGE: Do students choose their own career path in the end result or
15 does the government favour one stream or another, in other words does the government direct the student into the place where he may be best needed for the state of the nation?

MS. E. ZIEGERT: No the government is not involved in career path selections of individual students, they are free to go to very objective
20 institutions that can offer different counselling based on your strength and interests as a student because not everybody wants to go down a track where you need strong maths skills for example or wants to work in a area where you have to climb up high or be in confined spaces so you need to really find what is suitable for you and there are no favours by
25 the government.

JUDGE: Are there more students in vocational training than there are at University?

MS. E. ZIEGERT: I believe that this goes back to the 50 percent of students so it is roughly half and half.

5 JUDGE: And does the, is there any way in which vocational training is made attractive to students as distinct from Universities, in other words is there any carrot on a stick for the student who wants to do vocational training, again it has been suggested to us and the evidence suggests that the institutions of vocational training in this country are not as
10 attractive to students as Universities are and there is a large difference in perception as to the prestige of going to University as compared with doing vocational training, how does that play out in Germany?

MS. E. ZIEGERT: Well as I mentioned earlier you are completely right in assuming that we do also have a prestige issue with vocational training
15 but I believe that the carrot on a stick how you called it can definitely be that while your peers are still in high school you are earning quite good money, for example I have it on an example on a next slide where an apprentice at a bank for example in his third year will earn around 1000 Euros per month actually as an apprentice while your peers are living at
20 home and studying so that can sort of be an incentive but of course there have to be other measures to make apprenticeship more attractive and also make artisans respected better.

JUDGE: What is the difference between 'vialshule' and 'hautshule'?

MS. E. ZIEGERT: A 'hautshule' is I do not like to use the word but it is
25 the lowest form of high school that will go up to 9 years with a potential

10th year but it will be your minimum of school education that you have to do and it differs in quality sort of in a way that if you look at what students in the 'gimnasium' in the track leading to University have to learn up to the first 9 years compared to the other students is very
5 different because you can assume that people in a 'hautshule' will go into an apprenticeship and therefore do not need to learn Latin and three other languages to their 9th year but they do have the chance to go through the school system so after you have done with your 9 years of 'hautshule' you can then transfer to a 'reashule' if you have the credits and once you
10 have done your 10 years of 'reashule' you can even go into a 'gimnasium' and that will then after another three years enable you to go and study at University.

JUDGE: What is the difference between a 'hautshule' and a 'reashule'?

MS. E. ZIEGERT: It is two different school forms so the one, the
15 'hautshule' puts or how can I say, is for students that did not perform very well during primary school and might need a bit more attention to achieve their school goals and that might not be able to keep up in the other school forms as much.

JUDGE: I see so at a fairly early stage in the educational system there
20 is some sort of streaming of the children into appropriate schools.

MS. E. ZIEGERT: Yes correct, after the four years of primary school so around the year of 9 or 10 you go into these different streams but they are as I said flexible so you can go up or down in it.

JUDGE: But can you choose or are you told that is where you will go?

25 MS. E. ZIEGERT: You are recommended after primary school for one of

these school forms and if you do not have the recommendation for a 'gimnasium' then you can probably not enter it.

JUDGE: I see.

COMMISSIONER KHUMALO: You were saying the retention by the
5 company's you saying they are keen on assisting the apprentice so that they do not keep them later, they do not have an obligation to give them jobs, what happens to that group that has done their apprenticeship but then they are not retained?

MS. E. ZIEGERT: Well they are free to either continue their education
10 because also in our vocational education you sort of have what you could divide into undergraduate and postgraduate stages of your education so they could continue somewhere else probably, they could get self employed and they can get or they can take up employment with a company that does not have apprentices for example because as
15 mentioned in the short movie not every company actually can take on apprentices, some of the are also well consider themselves too small to really train young people so that is where they could go.

JUDGE: Yes thank you.

ADV. K. PILLAY SC: Miss Ziegert may I ask, the introduction of fee free
20 higher education is fairly recent in Germany is that not right?

MS. E. ZIEGERT: No for all I remember it is, my parents already did not have to pay for thank you, I think my grandparents even, I would not know when the fees have been abolished but a long time ago.

JUDGE: Well can I without embarrassing you ask you how long is it
25 since you left school?

MS. E. ZIEGERT: Since I left high school?

JUDGE: Yes.

MS. E. ZIEGERT: Let me quickly calculate, it is 2017 it must have been 12 years ago.

5 JUDGE: I see.

ADV. K. PILLAY SC: The information that we received was I think in around 2013 or 2012 there was still one state that was charging fees, whose University was charging fees.

MS. E. ZIEGERT: I think, I know what you mean now, for a period of,
10 correct me, two or three years they tried to sort of reintroduce fees but basically failed for different reasons and then made education free again but it was not, it is still not what you would pay in South Africa for or for a higher education path so it was still a very small amount compared to the actual costs of higher education, it was just that ja they tried to introduce
15 it but it would not work.

ADV. K. PILLAY SC: And there are a number of private Universities in Germany, may I just ask why it is that you would have private Universities flourishing in instances where you have free public higher education?

20 MS. E. ZIEGERT: I think the niche that these more private institutions actually fill are when professionals seek to advance their education or the academic standard so that they offer part time courses or weekend courses, also distance or online learning for professionals, you rarely have full time private Universities, it is also a question of reputation
25 because our public Universities have a very good reputation and

whereas private institutions are often regarded as semi professional, they are not as established so the majority of students would still look into the public Universities when they want to study full time after their high school.

5 ADV. K. PILLAY SC: And you mentioned that public higher education institutions do rely on third stream income in Germany, now how prevalent is that and what percentage more or less of an institutions budget is made up of third stream income?

MS. E. ZIEGERT: I believe that is highly individual for the different
10 institutions but it is the third steam income is mainly focussed on research activities that the Universities have so it is common research projects where they would seek to apply to European funding for example, I cannot unfortunately give you a percentage on that.

ADV. K. PILLAY SC: And I am just trying to understand the perspective
15 of the institutions themselves, have you heard submissions from the institutions that the money being paid both by the federal government and by the state is insufficient to meet the cost of providing higher education?

MS. E. ZIEGERT: I believe that it definitely fulfils the basic needs of
20 Universities and other higher education institutions that is if they want to go beyond that and further they research activities and excel in what they have already done that they are more looking into third stream income but for the tuition itself of course Universities will always complain that they do not have sufficient funds and this might be
25 rightfully so in some cases if there are more and more students coming

into the system but I believe that for the most basic tasks that University has to fulfil the actual income through the government is sufficient.

JUDGE: Well now Germany is regarded and probably is a wealthy nation, regarded as a wealthy nation, no doubt even then its budget is stretched in various direction and there is no doubt competition amongst the departments for money, to what extent is education and particularly higher education prioritised in, in the federal budget?

MS. E. ZIEGERT: I believe that you can see the prioritisation of education and specifically higher education in the percentage of GDP that we put into education continuously and seeking to even increase this number but of course especially when we compare it to South Africa we have also a much higher percentage of the population paying income taxes, we have an unemployment rate of 4.5 percent something like this so it is of course a very different situation.

JUDGE: Yes.

ADV. K. PILLAY SC: And are there limits in terms of how long a student can take to complete a degree before they get excluded from further financial assistance?

MS. E. ZIEGERT: Well how long you take to complete a degree very much depends on what you study because we did introduce the bachelors and masters system that you also have in South Africa but besides that we have our diploma structures that, well that historically take as long as it takes but in order to secure your funding there is a certain well average amount of semesters that certain course would normally take and I believe that if you go beyond that then you might

struggle to be able to keep your scholarship or your 'Barfac' but usually that is doable and in the, when you are in the bachelors and masters system you usually complete after a set amount of time so that this is not, this should not be a problem but of course we have certain degrees, 5 for example Madison or law that are not broken down into bachelors or masters but are in a national system.

JUDGE: What happens to the student who fails, the student who is receiving the free tuition fees but fails, to what extent is he allowed to carry on regardless?

10 MS. E. ZIEGERT: Well if the student fails they might have to look for different course of study.

JUDGE: But is he given any sort of second chance?

MS. E. ZIEGERT: Well there are, if you fail certain exams then you can repeat them, even if you fail in your bachelors or master thesis I believe 15 that there are opportunities in place to redeem yourself and to redo it similar to how the high school works, you might just have to repeat courses, repeat a year and then try again.

JUDGE: If you fall out is there any obligation to repay?

MS. E. ZIEGERT: If you fallout or dropout the obligation to repay is not 20 on the student but only on The land toward the federal state, the student has no concern with that.

ADV. T. MABUDA: Miss Ziegert just on slide 12 of your presentation, I was just, I am not certain if it is an error or not but the on how students finance their studies in Germany, the percentage there on the first one is 25 61 and the next one is 56 and then 'Barfac' is 29, I just wanted to

understand how those numbers correlate because they do not add up to, should they not add up to 100 when you include everything?

MS. E. ZIEGERT: Yes I see that and I believe it is because many students that do receive support from their parents still have to work for
5 example.

ADV. T. MABUDA: Okay and I just in relation to the scholarships, the 5 percent, is this money coming from the private sector or what motivates, who funds scholarships in Germany?

MS. E. ZIEGERT: It is usually institutions like the German Academic
10 Exchange Service for example and they would receive government money to give out scholarships. Also Universities provide different individual scholarships that also comes out of their own funds so the majority of these scholarships would be government funded one way or the other. There are probably certain private company's who choose to
15 support individual students but that is a very small amount of students who can access that. Maybe one point that might be interesting in this context though is that the system of vocational education I presented can also be applied to higher education so we call it a dual study so the way it works is very similar to vocational education, you have your matric, you
20 get employment with a public entity or a company, they pay you and send you to a University, mostly a University of applied sciences and during what everybody else would have as a summer break or winter break you come into the company and you work so you can apply your knowledge directly in the company, you go through different departments
25 and you learn what the company does so it is a dual studying system,

that is also quite financially attractive to many students.

ADV. T. MABUDA: So the scholarship in essence just funds the living expenses.

MS. E. ZIEGERT: Yes it is mainly living expenses, books, whatever you
5 need to study.

ADV. T. MABUDA: Okay thank you Chair, no further questions from us
Chair.

JUDGE: Are you, have you completed your presentation?

MS. E. ZIEGERT: I believe I almost do yes Chair, we have come to the
10 end of my presentation as well yes.

JUDGE: Thank you. Miss Ziegert thank you very much indeed we
appreciate the work that has gone into this and the clarity with which you
presented it, thank you.

MS. E. ZIEGERT: Thank you very much for having me today.

15 **NO FURTHER QUESTIONS**

ADV. K. PILLAY SC: Thank you Chair, the witnesses, tomorrow
mornings witness will the Department of Higher Education and Training
will be specifically talking about the Seta's.

JUDGE: Okay, who is coming to tell us about that?

20 ADV. K. PILLAY SC: It is the Deputy Director General who was here the
last time, his first name is Mbalo, sorry that is his second name, it is
Christopher Mbalo.

JUDGE: Thank you. Alright we will adjourn until 10:00 tomorrow
morning. Thank you.

ADV. K. PILLAY SC: Thank you.

MEETING ADJOURNS

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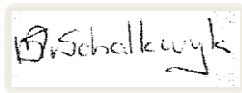
SET 6 - DAY 4

**COMMISSION OF INQUIRY INTO
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