



UNIVERSITY of the
WESTERN CAPE

University of the Western Cape submission to the Presidential Commission of Inquiry into Higher Education and Training

September 2016

1. Introduction

The University of the Western Cape (UWC) welcomes the opportunity to participate in the processes of the Presidential Commission on the Funding of Higher Education (the Commission) and to share this submission, containing our institutional perspectives and realities as our contribution to the Commission's deliberations.

In this submission we do not delve into the broader national enrolment, subsidy and NSFAS context as we believe that the Council on Higher Education (CHE) presentation and those by other national structures will cover the broad national context sufficiently.

2. UWC's History

The establishment of the Commission is as a result of the national 2015 student protest action focusing predominantly on the affordability of higher education as well as various other transformation issues. The questions raised by students at the time and the establishment of the Commission cannot be divorced from the range of challenges associated with our deeply unequal society and its history of oppression and segregation. In this section we provide a brief summary of UWC's history, focusing on certain elements of our institutional experiences over the last number of years as we believe that there are important learnings in some of these experiences that are relevant to the current context.

In university terms, UWC is a young university. It was established in 1959 as the University College of the Western Cape, in accordance with the state policy of the time which enforced rigid racial segregation. In terms of these policies UWC was supposed to be a training facility exclusively for students classified as being part of the Coloured population. In 1970 the institution gained university status and was allowed to award its own degrees and diplomas. UWC was seriously under-resourced, and the range of academic programmes on offer were predominantly oriented towards preparing students for lower level positions in the civil service, teaching and law" (Tapscott, et al., 2014: 14). In 1978 the University had its first non-white rector, Prof Richard van der Ross and a governing council with strong community representation.

For many years UWC struggled to transcend the racial classification which was imposed upon it. In 1987 Prof Jakes Gerwel became rector and during this period UWC defied government policy and became the first South African university to unconditionally open its doors to all races. "Its intellectual and political resistance to apartheid rule, particularly in the 1980s, became one of its defining characteristics" (Tapscott, et al., 2014: 14). This ideologically inspired decision to open its

doors to all students was not without some painful implications and, to some extent the implications associated with institutional transformation that continue to haunt a number of South African universities, were already experienced and dealt with by UWC more than thirty years ago.

Following the unbanning of the South African anti-apartheid movements in 1990, UWC became the natural home for academics and other intellectuals returning from exile. Student numbers rose to approximately 15 000 at this stage. There was a growing expectation that the democratic order would bring new support to historically black universities, both because they accommodated the majority of disadvantaged students and because they were in urgent need of resources to address the inequities of the past.

However, the period 1994 – 2000 was extremely difficult for UWC. As a result of the institution’s alignment with the liberation cause, it lost large numbers of its intellectual core to political and public leadership positions in the new democracy” (Tapscott, *et al.*, 2014: 15). This included the then Vice-Chancellor, Professor Jakes Gerwel, who was appointed as Director-General in President Mandela’s office. The loss of academic leadership particularly affected the institution’s ability to maintain a growing postgraduate and research profile.

Despite the fact that the University’s fees were already amongst the lowest in the country, UWC in 1995 heeded the Minister of Education’s call to suspend fee increases and to allow indigent students to register without paying. This resulted in rising student debt with no assistance forthcoming from the state. At this time, UWC’s student numbers also dropped by almost a third to less than 10 000 students which aggravated the financial problems. In 1998 UWC was insolvent due to its liabilities exceeding assets by at least three times. The University obtained a qualified audit report on a going concern basis as UWC’s ability to continue as a going concern was uncertain. In 1998 the situation eventually resulted in 41 academics and almost 300 non-academic staff, being retrenched. The graph below illustrates the challenge that the University faced at the time. The pink line (extrap line) suggests the growing financial challenge had the University not retrenched staff at that point.

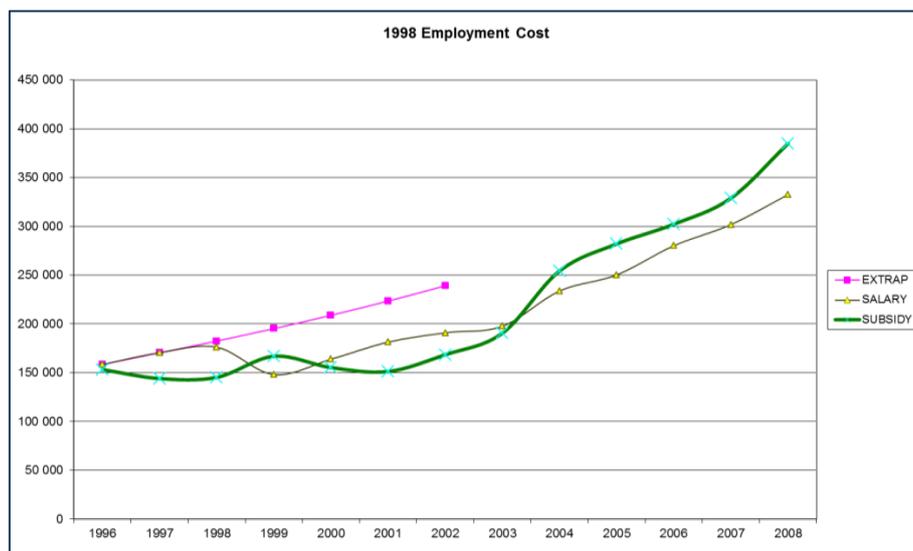


Figure 1: The relationship between employment cost and subsidy in the 1990s

In November 2001 Prof Brian O’Connell was appointed as UWC’s Vice-Chancellor and in the next year, current Vice-Chancellor, Prof Pretorius, was appointed as Deputy Vice-Chancellor: Academic. The challenges the institution faced at that point were serious and included that: UWC was financially bankrupt, student numbers were unsustainably low, public confidence in the institution was very low, and the university community was fractured and without a common vision. On 31 January 2002, the then Minister of Education, Prof Kader Asmal, released the report of the National Working Group advising on the restructuring of higher education in South Africa (Department of Education, 2002). The National Working Group’s (NWG) recommendation in terms of UWC was that the “Peninsula Technikon and the University of the Western Cape should merge to form one unitary comprehensive institution” (Department of Education 2002: Executive Summary, item 7.41). Later in the report it also states, in terms of UWC, that “a large debt accumulated and has plunged the University into a precarious financial position. The NWG understands that it might take a decade for the university to reach financial stability again, provided that favourable circumstances prevail. This means that the university would have to cope with financial uncertainty of a serious nature for the foreseeable future. This uncertainty would, without doubt, also be an ever-present source of potential instability in other respects” (Department of Education 2002: item 3.7.3).

In the end UWC was not merged and the process of rebuilding the institution continued. In March 2005, based on its Institutional Operating Plan (IOP) 2004 – 2009, UWC was recapitalised by the state to the extent of R170.3 million.

The University slowly regained its intellectual focus and rigour and started identifying and resourcing academic niche areas. Through own funds, state and donor support an ambitious physical infrastructure development programme was also introduced. When Prof O’Connell retired at the end of 2014 UWC had almost 20 000 students and was recognised by the NRF as either the national leader or the institution occupying the second position, in terms of research impact in various academic areas, with most of those in the Sciences. (Biotechnology, Bioinformatics, Astrology, Physics, Information Systems.)

Professor Tyrone Pretorius was appointed as Vice-Chancellor as from January 2015. Within the first few months two new Deputy Vice-Chancellors and a new Registrar also joined the executive management team. One of the first projects embarked upon by the new leadership team was to initiate a campus-wide planning process to arrive at a new Institutional Operating Plan. As this process was being concluded the national student protest action, under the banner #FeesMustFall hit the country and resulted in huge disruption at UWC that continued for almost two months and was very costly. Despite continued challenges, UWC continues to remain focused in building its intellectual capacity and stature and in 2015 it became the first historically disadvantaged institution to be awarded, through a competitive process, a NRF Flagship project.

Understanding the history of an organisation is important when considering its current positioning, because it provides important context as to the forces that shaped the organisation and its behaviour in different circumstances. At a very high level UWC’s history provides evidence of an organisation acting with conviction in accordance with clear principles and a vision for the future. There is also evidence of hardship in the form of the underfunding of historically disadvantaged institutions as well as financial naivety in the 1990s when the institution took serious financial

decisions without formal evidence of support from government. UWC's history also tells the story of the importance of leadership and of an institution that was united behind a vision in the 1970s and 80s, a fractured and divided university community towards the end of the 1990s and then the phase of rebuilding and reuniting the University that commenced in the early 2000s and which is an ongoing project. We have experience of how a vibrant institution can be plunged into becoming academically and financially vulnerable. But, we also have experience in rebuilding a University and restoring and strengthening its academic and financial viability. The process of rebuilding, however, is much more complex and happens over an extended period of time.

3. UWC's Financial Realities

Universities operate within the larger social and economic realities of their respective countries and the globe. Since the economic downturn of 2008, the global economy has continued to experience some instability and developing countries are still struggling to recover from the impact. As the Commission is well aware, South Africa's economy is currently not performing well on many fronts and the economy remains under tremendous pressure. The looming further downgrading of South Africa's investment grade credit rating is likely to impact investor confidence, which could include international research funding agencies. In recent days we have again directly experienced the volatility and vulnerability of the Rand.

The effects of the economic climate are directly experienced at a domestic and institutional level. In real terms, state funding, through subsidy allocation, research agency funding and the National Student Financial Aid Scheme (NSFAS), is declining. Households are also increasingly experiencing financial strain which affects their ability to meet the tuition fee and living cost implications of university study.

Despite the bleak realities referred to above, UWC has successfully managed to reposition itself both in terms of its academic stature and its financial viability. The recapitalisation by Government in 2005 was an important catalyst on which the University was able to build. UWC has grown significantly in student and staff numbers and, measured against various indices of academic performance, it is now in the top group of universities in the country. In a recent discussion forum, the Centre of Higher Education Transformation (CHET) considered the performance of all South African universities against a set of performance indicators and concluded that, of the 26 universities, only 7 can be classified as research-led universities and UWC is the only historically black institution that has been included in the group of recognised research-led universities.

The academic stature of a university directly affects its ability to attract the best researchers, postdoctoral fellows, postgraduate students and external research funding. It also has a direct impact on international funding opportunities, especially for large-scale project funding. The symbiotic relationship between academic excellence and financial viability is not always adequately recognised.

Through rigorous management practices, the University is annually generating financial surpluses which have enabled it to begin to build a reserve. This vital buffer against unanticipated problems is almost without precedent in historically disadvantaged universities. However, despite the fact that it is a laudable move in the right direction, it is far from being a decisive overcoming of historical

disadvantage. Gratifyingly, state- and donor-funded infrastructural support has yielded state-of-the-art new buildings, which in turn assisted us to attract top researchers and increase our postgraduate numbers. We do however continue to face significant challenges in relation to the accumulated cost of deferred maintenance and the proportion of state-supported infrastructure developments, funded by the University.

UWC's strengthened financial position has been achieved whilst balancing institutional needs with affordability, resulting in the University still charging amongst the lowest fees in the country. The improved financial viability can be attributed to sound financial planning and management as well as to ongoing success, despite national and international challenges, in attracting third stream income, mainly through high-end research activities.

The University continues to find itself in a position where student debt is an ongoing risk, but through the committed cooperation of students, parents, guardians and donors, this risk has been managed within acceptable norms. UWC has a large proportion of students from economically poor backgrounds, but the student body is very diverse, with a small proportion of students from backgrounds of some affluence. Allow us to give some context to this statement. Of UWC's 21 548 students registered in 2016, 14 800 required financial clearance at the beginning of the year. This means that 69% of students were unable to pay the required registration and upfront payments, which in UWC's case constitutes a very modest initial financial commitment.

In order to build and expand its activities in teaching, research and innovation on the scale they justify, UWC needs to continue improving its financial strength. It is important, both for the core business of the University and for its ability to attract funding and investment, that UWC builds on its reputation for excellence in a dynamic higher education environment. This requires investment in the best available staff and appropriate infrastructure, supported by cutting-edge information and communications technology. It also requires investment in environments that are conducive to study and work, both on the main campus and on the satellite campuses. However, like many other universities, UWC is no longer able to fund its main expenditure categories (staff and operations) through its main income stream (subsidy and tuition). Third stream income has to make up the difference. This increases the pressure to optimise opportunities arising from its considerable knowledge base by exploring new and entrepreneurial approaches to income generation.

UWC has a longstanding commitment of providing equitable and affordable access to students on academic merits. Given the University's low fees this is not an easy commitment, but a commitment that we have been honouring for many years, balancing many tensions and challenges. Since UWC's recapitalisation in 2005 the University has never been in a deficit position. This has strengthened financial support from donors and UWC was especially fortunate that The Atlantic Philanthropies provided substantial support for infrastructure expansion.

The University of the Western Cape is in a sound financial position, but it remains undercapitalised and does not have the necessary reserves to sustain the institution for an extended period in the event of destabilisation.

The audited results are illustrated in the graphs below:

Assets Vs Liabilities

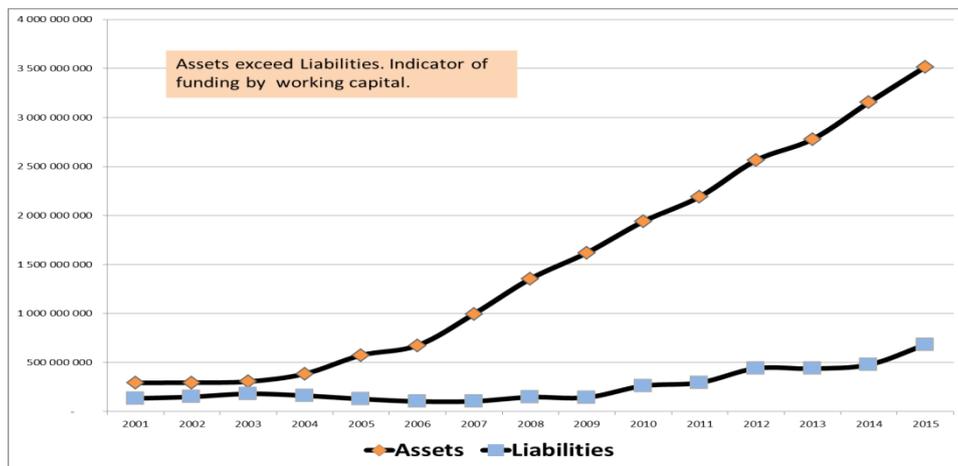


Figure 2: Assets and Liabilities

Liquidity

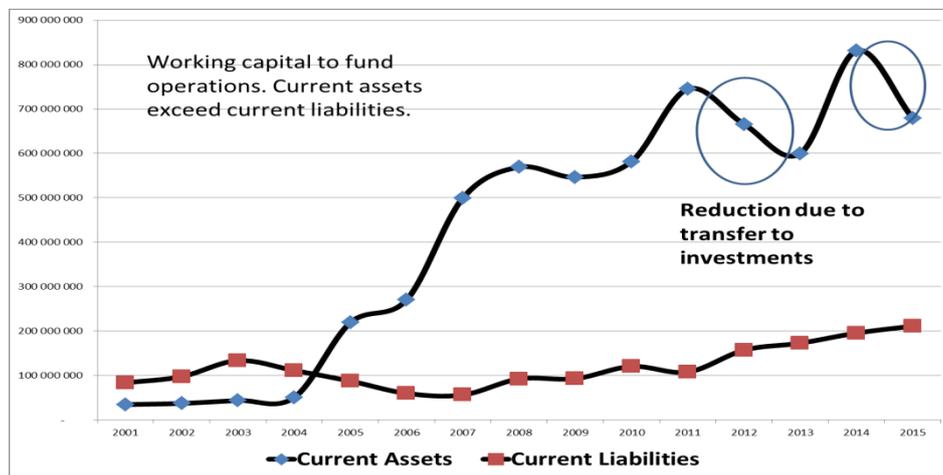


Figure 3: Current assets versus current liabilities

Capital Expenditure

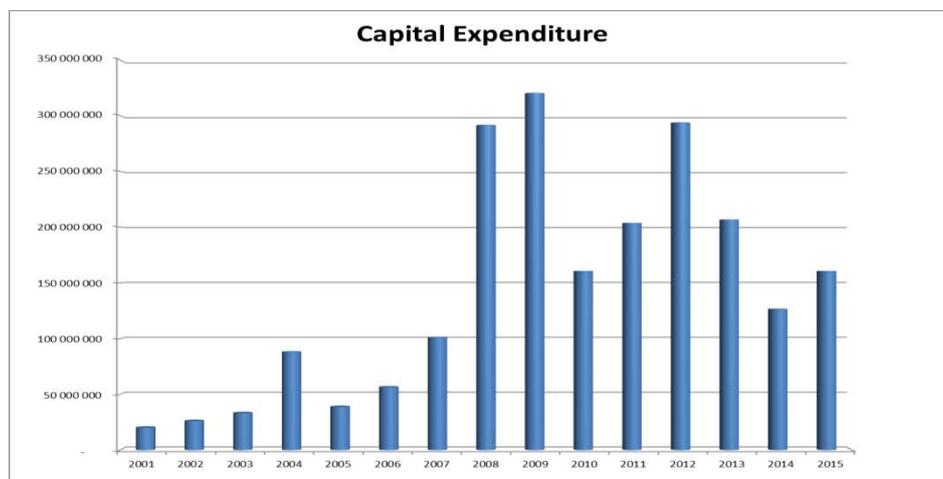


Figure 4: Infrastructure investment 2001 - 2015

The zero percent fee increase announcement by the President on 23 October 2015 was an unprecedented decision which, at the time and given the context, was probably the right thing to do, but it has now left institutions in a very challenging position. Given the ongoing tension around fee increases we are again in a position where a national announcement regarding fee increases is awaited. A decision of an across the board fee increase cannot adequately account for individual institutional realities and the fact that, whatever the final increase percentage is likely to be, it is being applied to a hugely unequal fee base and it doesn't respond to the actual budgeted requirements of individual institutions. UWC was already in a position where managing and balancing operating budgets in order to ensure future sustainability, required very careful attention. The current uncertainties and the fact that, what used to be autonomous budget decisions of universities, are now being centralised, further complicates what has already been a complex annual balancing act. After the October 2015 announcement by the President we immediately saw a change in the student debt collection patterns and debt collection has deteriorated since then. In UWC's case, given the socio-economic conditions of many (70%) of our students, debt collection plays a very important role in balancing our books and we have had a very good track record over the last number of years, annually collecting in excess of what we billed. There are many students and parents who have indicated that are waiting on the announcement of free education and will make no further payments to institutions until such time. Some are also waiting for the Student Representative Council (SRC) and #FeesMustFall movement to further lobby for free education and do not want to lose the potential financial benefit.

Although the Presidential announcement did not announce free education, many stakeholders were of the view that this would happen. Moreover, public universities were faced with the challenge of contending with operating cost inflation in the face of no increase in revenues. The impact of the incremental revenue loss in perpetuity has not been addressed and thus creates a real sustainability conundrum. This means that institutions will have to address the loss of revenue by decreasing costs to the same extent in perpetuity.

The fact that the zero fee increases were also applied to residence fees is a major concern as they are normally run on a model in which they need to be self-sustaining and do not traditionally receive any state subsidy. It is important that the model of self-sustaining residences not be compromised. This is further complicated by the fact that many institutions recently built residences using loan funding where repayments are based on future residence fee increases.

4. The nature of the financial aid challenge at UWC

UWC has, for many years, introduced concrete processes to ensure that students with outstanding fees, but who perform academically, are allowed to re-register despite their debt. This commitment comes at a cost, with student debt increasing and some inconsistencies in the contribution of additional NSFAS funding that is not commensurate with the demand. UWC has a well-established financial clearance framework, which is managed through a joint committee that includes student leadership and representatives from Finance, Financial Aid Office and the Office of the Deputy Vice Chancellor: Student Development and Support. The committee is positioned to attend to each student matter diligently by making informed decisions. As a result, a number of students who

otherwise would have deregistered are supported through this programme, and many have gone to greater heights and continue to acknowledge the contribution of the university to their human development.

At a high level we deal with the following categories of students in relation to financial aid:

1. Students who perform well academically and who qualify for NSFAS funding and receive such funding.
2. Students who perform well academically and who qualify for NSFAS funding but who do not receive it due to insufficient NSFAS funds.
3. Students who perform well academically and who qualify for financial aid but receive no such funding or only partial funding (e.g. for tuition only).
4. Students who perform well academically and who is in need of financial aid but whose family income is above the NSFAS threshold.
5. Students whose families can afford to pay university fees fully or partially, but who struggle to meet the living cost needs of students.
6. Students who receive bursaries from state departments or private companies.

In 2014, UWC registered 19 828 students of which 8037 (41%) applied for NSFAS funding, but only 4676 (58% of those who applied) could be assisted. In the same period, there were about 873 students who met the funding requirements, but the amount allocated was not sufficient to cover their full costs, which prompted the University to request additional funding during the June period after the mid-year exams. In 2015 there were 19 710 students who were registered and 7851 (40%) applied for funding, with 4872 (62% of those who applied) qualifying for funding. A total of 413 students were not funded, due to a lack of available funding. In 2016, 21 077 students registered at UWC and 9559 (45%) applied for financial assistance. Of the total number who applied, 7104 (74%) qualified and there was an additional funding request for 1 143 first year students. As at today, there are 4535 students who have so far been awarded NSFAS funding, which is a significant increase from 2014 figures, but it stills falls short in terms of the actual need.

Of our 2016 students who were not successful in obtaining NSFAS funding (either because the lack of funding or because they fell outside of the current threshold), 785 students have received other funding including, but not limited to, Funza Lushaka, Department of Social Development bursaries and Grandwest Bursaries. The University's efforts to address the categories of students with partial or no funding go beyond fundraising and soliciting more donor funding support for tuition fees in particular, but increasingly also looks at the provision of support that address issues relating to food security and basic toiletries requirements of students. In essence it is about promoting an environment in which students facing severe financial challenges are able to also participate in university life with dignity.

UWC also has a merit system in place that assists us to attract academically strong school leavers and that also rewards registered students for academic excellence. The Merit Award System operates in the following categories: First Years, Senior Merit and UWC Bursary Awards.

During 2014, there were 4 185 students who received undergraduate bursaries as an incentive for good academic performance.

Number of Students	Year of Study	Amount Allocated
4866	2014	R 14 118 162
4857	2015	R 18 272 577
5759	2016	R 19 182 925

The University also has a well-established Work-Study Programme in place which supports a large number of students who are appointed for different purposes. Some provide additional administrative support to academic and support departments and a large proportion of students are appointed as tutors in different academic departments. The university has an extensive tutoring programme in place, focussing specifically on first-year success.

Number of Students	Year of Study	Amount Allocated
1300	2014	R16 000 000
1500	2015	R18 000 000
1500	2016	R21 000 000

5. Important considerations

The Commission is well aware of the decline, in real terms, of state subsidy. The graph below clearly illustrates how universities compensated for this decline in state funding through fee increases. Third-stream income continues to make a valuable contribution, but the shortfall in income was largely replaced through the increases in fee income.

The higher education sector in South Africa is not homogenous and, as with education in general, hugely unequal in many respects. The purpose of this submission is not to delve into the complexities of the sector, but to highlight the fact that free education for the poor will have vastly different meanings and implications for different universities. If the trend in the funding of poor students is going to follow a trajectory similar to subsidy income in the graph above, a university such as ours, with a very large proportion of students facing financial challenges, will struggle to maintain its current academic profile, its contribution to the production of new knowledge, and supporting the development of our country through increased numbers of masters and doctoral graduates.

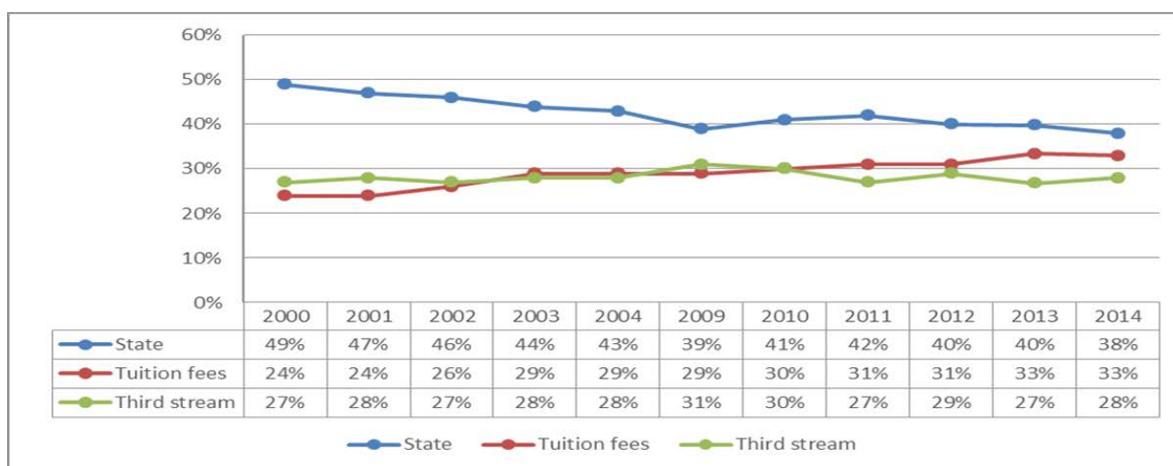


Figure 5: Relationship between subsidy, fees and third stream income between 2000 and 2014 (Council on Higher Education, 2016)

The harsh reality is that the majority of students, who come from poor families, are afforded higher education opportunities at historically disadvantaged institutions. Most of these universities are hugely undercapitalised and face severe financial constraints, but we cannot afford for these universities to fail and the model proposed in terms of student fees and the possible funding of free education for poor students would have to consider these challenges. If this doesn't happen it is unlikely that we will be able to significantly address the transformation challenges facing the country.

6. Conclusion

The focus of the Commission is on fees, but student fees cannot be considered in isolation. The single most important factor in providing students with a quality higher education experience and qualification is situated in the quality of the academic offering. Creating the conditions within which universities are able to continue to strengthen the quality of their academic offerings should be a critical consideration when looking at the model of funding free education for the poor.

In concluding this submission we urge the Commission to recognise that the funding of higher education is in essence about the academic opportunities available to students. In an underfunded higher education system we run the risk of diluting not only the academic options available to students, but also the quality of the offering. Going back to UWC's history, a decision was taken by the University's leadership in the 1980s that, despite the low expectations of the government of the time, the University had to act in the best interest of its students, and that this called for an intellectual focus in terms of different academic disciplines but also in terms of the role of a university in society.

UWC's current draft 5-year strategic framework, The Institutional Operating Plan 2016 – 2019, is clear about the continuation of this focus. The Plan starts off by stating that, "fundamental to the plan is the understanding of UWC as an institution driven by intellectual imperatives. In the words of Vice-Chancellor, Prof Tyrone Pretorius, 'A university ... has to be an unapologetically intellectual community with an ongoing interest in the significance of knowledge for our country and world.' Or, in the words of a past Vice-Chancellor, the late Professor Jakes Gerwel: In the absence of 'a perceived and experienced nexus with a real and shared-in world, a university is emasculated and intellectually anaemic.'" The Plan continues to state that the social engagement envisaged in the Plan "draws on the full range of intellectual resources in pursuing national and global transformative goals and balancing inherent tensions" and that the "intellectual foundation of all such engagement is understanding our complex and fast-changing environment from a range of perspectives so as to be able to respond innovatively and with integrity to its needs. This calls for excellence: excellence in critical engagement with national and global challenges, excellence in scholarship, excellence in pursuing knowledge through the rigour of disciplines, and excellence in critically and ethically deploying knowledge across disciplines. There can be no compromise on the aspiration to excellence, and all strategies are to be read as informed with this awareness."

In accordance with our history and our University Mission, we trust that the work of the Commission will result in funded higher education opportunities for more students facing financial challenges. We also trust that the recommendations made by the Commission will be cognisant of the

implications for Universities with large proportions of poor students and that the eventual decisions will support the ongoing efforts of the University of the Western Cape in pursuing its intellectual vision and thereby enabling it to contribute to the development of South Africa.

7. References

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