

C1009 TOT) tgbag 1 ST a

From the Chairman of Council

0 F F O R T H A R E PRIVATE BAG x1314 ALICE 5700

1 9 1 6 - 1 9 9 1 TEL: (0404) 32011 TELEGRAMS 'UNIFORT' TELEX: 250867 FAX: (0404) 31643

To all those who work or study at the University of Fort Hare

23rd. July, 1992

Two years ago, soon after the new Council took office at Fort Hare I wrote to all members of the University about the most important task which faced us, the search for an d

selection of, the person who was going to lead the University during the critical years o f

transformation. The purpose of the letter was not only to keep all members of the Fort Hare family fully informed as regards the procedure but specifically to invite everybody to

help in the process of finding the best person for the job. That task, which involved all structures of the University, succeeded beyond our wildest dreams and Dr. Bengu was unanimously chosen and became vice-chancellor and rector from the 1st. of July 1991.

This second letter comes at another, no less critical, stage in the life of our University. The harsh realities of our current financial position compell us to focus att ention

on all aspects of the university budget. The purpose of this letter, like the one before it, is

to keep you fully informed of the facts (not least so as to scotch any wild rumours that may

be flying around) and also to enlist your support in thinking through and executing all s teps

that will be necessary to ensure the long term economic viability of Fort Hare.

In draft accounts laid before the Council by our auditors in June it was shown that total expenditure by the University during 1991 exceeded total revenue received by an amount of R33 million. The expenditure included important items of capital (totalling R14 million) but on running expenses alone Fort Hare showed a loss of R19 million. Most of th e

capital expenditure as well as the operating loss had to be funded from the Universityis rapidly dwindling reserves. The figures for 1992 are no less alarming. The most recent cash-tlow statement suggests that the Universityls reserves may well run dry before the e nd

of the year. Previously Fort Hare managed to show a surplus each year and to build up reserves which, in January 1990, stood at R55 million. These have now all gone and the University finds itself heading towards the end of 1992 with insufficient funds to meet a ll

its obligations.

Why ? How is it that Fort Hare has, so quickly, eaten into all its reserves and finds itself now in a position where annual expenditure is running well ahead of revenues received? There are at least seven reasons which help to explain our current predicament.

1. Capital expenditure. Over the past two years three major buildings (which were planned before the new council took office) have been completed. Two of these are residences for women; the third is the new campus at Bisho. One of the residences was funded by a loan from the Development Bank of Southern Africa. The other two buildings were financed largely from the University's own reserves. All three provide essential space

for the expansion of Fort Hare both on the main campus as well as its extension services in the nearest urban area.

2. Expansion of the university in terms of student numbers and of teaching commitment. At this period of our history all tertiary educational institutions and particularly universities like Fort Hare have been coming under heavier and heavier pressure to increase student numbers and to widen the scope of their teaching. In response

to the needs of the society Fort Hare has responded to both these pressures. Student numbers have increased dramatically (by 22% in 1991) whilst the opening of the Bisho campus has placed extra demands on staff and on the university budget to pay for these classes. A sudden increase in student numbers (beyond the SAPSE norm of 5% which makes little if any provision for the consequences of the opening of the Bisho campus) unmatched by an immediate increase in government subsidy is a major cause of financial pressure.

3. Quite apart from the increase in student numbers, the value of the government subsidy (which in 1992 amounts to R36 million has been falling in real terms. Like all other Universities in South Africa, Fort Hare has had to deal with the fact that funds from

the government have not increased as fast as the general price index which means that the University cannot buy as much in the way of goods and services (such as paper or electricity)

as it has in previous years without finding more money from somewhere.

4. Furthermore, all those working at Fort Hare have enjoyed increases, of one sort or another, in their remuneration over the past two years. These increases, (which have been aimed partly at creating a more just remuneration structure within the university and partly -

- though not always successfully-- to keep pace with the cost of living) have nevertheless cost

the University a lot of money and have had to be funded out of a tight budget.

5. In response to the fall in real terms of the government subsidy and to the increase in costs due both to expansion and to inflation it has been necessary to raise student fees.

By no less than 20% in 1991. And then again, after negotiation, by 11% in 1992. Even so our fees are amongst the lowest of any university in the country. But the increase in fees only benefits the University provided that they are actually paid. In 1991 fees received fell

short by approximately R3 million of what was due to the University. In 1992 there have been important negotiations between students and management leading to deeper

9%

With the Rectofs

Compliments

UNIVERSITY OF FORT HARE

PRIVATE BAG X1314 ALICE

REPUBLIC OF CISKEI

understanding and commitment on both sides. So far, this year, of the R22 million due in fees (for tuition and boarding but excluding meals) some R12 million have been paid by the end of June. If the full amount that is still due (R10 million) is paid during July and August as scheduled this will help enormously. If it is not, the University's financial difficulties will be increased considerably.

6. Leakages. These occur where specific items of expenditure which have been budgeted increase far beyond the amount specified in the budget. Sometimes these leakages are unavoidable due to some unexpected difficulty but too often such leakages reflect insufficient financial self-discipline on the part of those incurring the expenditure. Two major items of concern are the use of telephones and of transport both of which are using up far more of our funds than have been set aside in the budget. The telephone account, for example, for the first six months of this year has exceeded the total amount budgeted for the full twelve month period.

7. The last major reason (which is linked to the previous one) concerns areas of expenditure where the University is not recovering as much as perhaps it should from those enjoying the benefit of such expenditure. For example food. According to the latest figures the University expects during 1992 to receive a total of R6,1 million for meals eaten on campus. But the total food bill which Fort Hare expects to pay during 1992 is likely to be nearly double that, no less than R11,8 million. Such a situation cannot continue indefinitely.

What then is to be done? Council, Exco, and Management have all debated the matter at great length. A plan is emerging whose full details still need to be worked out but

which it is important to share now with all staff and students at Fort Hare both so that everybody may understand the reasons for immediate steps that have to be taken but also so that you may participate in the crucially important process of planning the transformation

of this University in such a way that it is able to meet its mission effectively, efficiently and

within the constraints imposed upon it by a realistic assessment of the funds available to it from all sources each year.

Essentially the plan consists of four parts.

A. An immediate six-month austerity program to cut or freeze expenditure wherever possible for the remainder of 1992 and to ensure that all funds due to the University are paid as soon as possible.

B. Negotiations to obtain one or more loans or (preferably) grants to fill the gaps in the University's core budget for 1992 and to provide further breathing space to enable us to transform and reshape Fort Hare in such a way that annual running expenses can be met from the annual revenue available.

C. Immediate initiation of a long-run process of strategic budgetary planning which will

consider every item of expenditure by the University to see whether there is a more cost effective way of achieving the desired results.

D. A major fund raising drive both in southern Africa and overseas to gather the resources needed for new projects and programs required by the University as it seeks to fulfill its mission more fully than it would otherwise be able to do.

For the plan to work it is essential that all members of the Fort Hare community commit themselves to participating in the process by working together to achieve the desired goals. Let us consider briefly each part of this four-point plan.

Austerity measures will have to be imposed immediately. A first draft of some (though not all) possible measures was considered by representatives within the structure of the University at the New Ideas Committee held on the 15th July. No decisions were taken but helpful feedback was provided enabling management to rework the measures before announcing them as will be done shortly. Such austerity measures obviously include an appeal to all members of the University to cut all expenditure (including such apparently minor items as a telephone call) that are not absolutely necessary. Austerity also places a particular obligation on all students to ensure that their full fees are paid immediately. And austerity will have to include, alas, recognition of the fact that it is unlikely that the University will be able to pay salary or wage increases during 1992. Naturally if it is possible to find the money to ensure not only that we can meet all our current commitments but also to increase remuneration to all those working at Fort Hare that would be wonderful. But as things stand at present no promises can be made.

As regards loans or special grants to provide the University with breathing space to reshape itself, negotiations began early in February and have, this month, entered a new phase. The underlying assumption in such negotiations is that the funds being sought are for a limited period of time. A reasonable assessment has been that from the time the new Council took office in June 1990, Fort Hare would need a period of five years in order to transform its structures, to shape its goals, to provide further training and learning opportunities for staff at all levels, and to attain the internal self-discipline required to ensure accurate budgetting and an ability to contain costs within budget constraints. The first two years have gone extremely well. There have been difficulties and unavoidable delays in filling some posts but, in general, it has been possible to lay very sound foundations for the process of transformation that lies ahead. The University has been extraordinarily fortunate in the quality and ability of the persons appointed to senior managerial positions and in the change of atmosphere and attitudes that has taken place on campus since the beginning of 1990. Vitally necessary though such changes have been they are not sufficient. The reshaping of Fort Hare must now begin in earnest so that all its activities are sustainable in the long run and so that we are able to do the most important things that we wish to do with the money that is available. Such a process of deciding on our

priorities and in reshaping the University accordingly will take time but it is not something that can be spun out indefinitely for there will be nobody willing or able to step in to help an institution such as Fort Hare if it runs a budget deficit year after year. We are negotiating for a three-year period of grace from now until mid-1995 in order to enable Fort Hare to transform itself in such a way that we will then be able to fulfill our obligations efficiently and effectively without incurring further debts.

As far as strategic planning is concerned we have already moved a long way. During the second half of 1991 and early 1992 a series of preliminary workshops involving different structures within the university were held to consider a wide range of topics (from admissions policy to trade union matters) affecting the life of the University. Since then the Vice-Chancellor has initiated a wide ranging planning process by establishing a number of Commissions which have been meeting in recent months and which will be reporting during the last week of July in such a way as to enable all members of the University to participate in formulating the mission and reshaping the structures of Fort Hare.

What is now required is to follow up on the insights gained from these Commissions by adding a budgetary dimension to the ongoing process of strategic planning. Such a dimension will need to include consideration of all services provided by the University to ensure not only that all waste is eliminated but also that where possible costs are fully recovered. Thus, with regard to food for example, it will be necessary to devise a system whereby good food is served to everybody at realistic prices. Once again this matter has been the subject of important negotiations within the University and Fort Hare is about to embark on a major refurbishing and streamlining of its kitchens and of the meal system generally.

Another important component of budgetary planning will be the need to evaluate all activities within the University in order to eliminate any that are unproductive or of low priority in terms of Fort Hare's mission. Where jobs are either eliminated or combined with other jobs as a result of this process it is critically important that the University act in such a manner as to minimize any disruption or difficulties to any individuals caught up in the process of restructuring. Where it may prove necessary to reduce the actual number of jobs established by the University, procedures will have to be established to enable Fort Hare to retrain employees so that they may be redeployed from one sort of job where they are no longer needed to another type of job within the University where a vacancy exists. Where such internal redeployment is not possible Fort Hare will need to do everything possible to stimulate job-creation in the wider community of Alice and to ensure that any person whose services are no longer required by the University will get adequate time and opportunity for further training so as to facilitate the process of that person getting another job outside the University.

But the next three years will not only be a time of pruning. Growth is also necessary if Fort Hare is to play its full part in education and development in the new South Africa.

It is important to see the process of budgetary transformation against the background of a renewing and expanding university where the pruning of one activity does not diminish the institution so much as it enables it to grow in new directions more appropriate for its new role.

Such growth will require additional funds over and above any received either by way of government subsidy or from student fees. To obtain these funds it is, of course, vitally

important that the University undertake and maintain a high-powered and systematic fund raising campaign. This process has already begun and the past year has seen a steady stream

of potential donors (overseas governments as well as private foundations) visiting Fort Hare.

Substantial funds have already been committed (for example by the Mellon Foundation to finance the strategic planning process and by the EEC to fund the literacy and rural development programs with which Fort Hare service workers are becoming involved); but much more needs to be done. Council has established a fund raising committee and the Vice-Chancellor together with the Chairman of Council are spear-heading further fund-raising efforts. But much more needs to be done not least by staff and students within the

University in drawing up attractive and coherent project proposals.

Finally, may I take the opportunity of conveying to you my own sense of excitement about what is happening at Fort Hare. A process of transformation is not easy but this University, under the leadership of Dr. Bengu, has placed itself right at the cutting edge of

the creation of the new South Africa particularly in the field of education and development.

Fort Hare has played a tremendous role in our history but I am quite sure that a yet greater

role is to be played in the years ahead. Fort Hare is not about to close down. The difficulties that confront us provide us rather with an opportunity for deeper and more effective transformation than might otherwise have been possible. To grasp this opportunity

it is necessary to face the realities squarely (hence this long letter) and then to re-dedicate

ourselves to working together to shape this university in such a way that it takes the lead in

showing the rest of the country, indeed the world, what is possible.

Yours sincerely,

Francis Wilson

/\_

Francis Wilson

Chairman of Council

(I ? , l'