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DAY 2

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

HELD AT: SAMMY MARX SQUARE - PRETORIA

PARTIES PRESENT:

Commission

Evidence Leaders

Centre for Higher Education Trust

Shosholoza Progressive Party

University of Pretoria

TRANSREC CC
P.O.BOX 17119, RANDHART
ALBERTON, 1457
Tel: 011 864-4061/ Fax: 086-503-5991
www.transrec.co.za

SESSION 2 – 11-08-2016

ADV. K. PILLAY SC: Thank you Chairperson, Chairperson it is day 2 of set 1 of the hearings and our next presenter is the Centre for Higher Education Trust and we have doing the presentation Dr Nico Cloete who
5 is the director of CHET, Dr Cloete over to you.

JUDGE: Yes thank you, we have your presentation before us, it seems quite extensive, I take it Miss Pillay that you do not expect this to finish within the hour allotted?

DR. N. CLOETE: No.

10 JUDGE: Yes.

ADV. K. PILLAY SC: Chairperson we have discussed the matter with Mr Cloete and it will probably run a little longer than one hour but because of the nature of the way in which the issues are addressed we thought it is a worthwhile, it is worthwhile to spend the time and take it slowly.

15 JUDGE: Yes of course. Is it Dr Cloete, Dr Cloete would you go ahead when you are ready thank you.

DR. N. CLOETE: Good morning everybody, this is quite a daunting, we are not used to this in our higher education but I did quite a comprehensive piece on this for a number of reasons, the one is that it
20 became clear to me later and in like during the end of last year that there was actually a ...[intervenes]

JUDGE: It would be helpful if we had a little more volume.

DR. N. CLOETE: Oh.

JUDGE: How do we adjust that?

DR. N. CLOETE: So must I speak louder, oh okay. It became clear to me that the debate about fees was what we call surplus ideology, Carl Marx said that everything is political but some things got surplus politics and in this ideological discussion both the vice chancellors and the
5 students were using their little evidence and that in general in South Africa there seem to be very little knowledge about fee systems internationally and I was actually involved in the National Commission on higher education in 1995 so I actually coordinated the report to draw up the NSFAS scheme which has had some success and has also had
10 some failure now.

What was, and we decided on that kind of system on the basis that we did not have as much evidence and as much interesting research as we have now so we basically followed with international advice, the system that we came up with so, but after that I have not
15 worked a lot on that, I work on other issues in higher education. But I thought that as I re-link to my other international networks and we started talking about this is that it became clear to me that the current fees debate is much more linked into the nation, into the politics of the country at the moment into the higher education sector itself and that
20 one cannot talk about simply looking at different systems in different countries because it is also, there is a lot of research these days that show that the fee systems are very closely linked to political and economical conditions in different countries.

And so that we have to take a look at that and not just look at the
25 set of possibilities so that is why I came, start off with the thing that

money is not the main problem and I see from your, what I regard as rather narrow terms of reference, the issue of feasibility, feasibility and free higher education are the two main terms to actually look, I think to address a sustainable fee system one has to ask questions well beyond
5 feasibility, in that case I want to start off with a story.

A bank robber appears before a Judge the third or the fourth time and the Judge is rather irritated with him and says now why are you before me again and why are you keeping on trying to rob the bank, he said M'Lord in case you do not know the money, that is where the money
10 is. So now if you look at this from fees and from feasibility it raises a whole lot of interesting questions, firstly for the bank robber there is a lot of money there but that money is not free ...[intervenes]

JUDGE: Who do you suggest is the bank robber?

DR. N. CLOETE: Well there are a few in contention and there are a few
15 who are trying to defend the bank so I think there is an interplay but the issue is, and I came going to get there that firstly the notion of free higher education, there is no such thing anywhere in the world. Higher education is a very expensive business, the issue is who pays what when so it is always, it could be free for one group but it is never free for
20 the society and a big issue in the debate about funding is when to pay, this thing that you have to pay up in the first year etcetera that system is becoming obsolete in the OECD countries and in many other countries so then the question come when do you pay and then when does the society pay and then the third question I will come to this trilemma of
25 trade-offs is, how much does the private, people who get private returns

from it, like the students, their parents but also the private sector pay.

There are interesting developments in certain countries where private sector make certain investments in higher education with of course certain returns but we can get back to that. The issue with the
5 feasibility of course is the, if the bank robber looks at the feasibility very straightforwardly its risk, is it more than 50 percent or less than 50 percent and this risk has got a whole history, I mean for instance there is huge evidence that poor students are lower risk takers than middle class students so often poor students do not want to take loans because of
10 risk, the middle class is more comfortable with debt as we know.

But the other issues of course is what the feasibility question then is and is it moral to steal the money from the bank and take other peoples money from the bank, I mean and more important for us, what is the public policy question, is it good public policy so those are the kind of
15 questions that I am going to run over and I am going to go quite quickly over some of the slides because you have got them and then others I will discuss one or two issue and I will be pleased if you not certain with something or you want clarified or I sound confused about it. So from the first slide I am going to ...[intervenes]

20 JUDGE: Please do not feel yourself pressured by time because we are more interested in hearing what you have to say than chasing you off one subject onto another.

DR. N. CLOETE: That is a relief. In the University's I have been invited by like six University's where they gave me like 15 or 20 minutes and I
25 said no call CNN and the, even yesterday at UCT economics I had to

finish in an hour at least but that ...[intervenes]

JUDGE: Please do not feel yourself constrained by that because if necessary we will sit longer and cut into the lunch break and extend the day.

5 DR. N. CLOETE: Okay so just as the, as a kind of a context what I think the 9 points that I put out there on the first slide is to look at the political issues, the funding and the structure of the higher education system, higher education and inequality, what underpins a lot of our fees debate is of course the issue of inequality and the role of higher education in
10 alleviating inequality. Then investment, government investment in higher education who benefits from subsidies that trilemma of trade-offs, a differentiated fee structure and then finally a kind of a political idea of a pact.

COMMISSIONER KHUMALO: ...[inaudible] presentation or because I
15 see the page is not moving so I was not sure, oh okay.

DR. N. CLOETE: Can you hear me.

ADV. K. PILLAY SC: Sorry Chairperson just in terms of housekeeping, we have been advised by the transcribers that when any of the lights are flashing the transcribers are not able to record exactly what is being
20 said, so if any of the mics are flashing we have to repeat what was said while the mics were flashing.

JUDGE: I see, thank you.

DR. N. CLOETE: Can we now go to the next slide. From the first day of the National Commission in 1995 there was a tension in the commission
25 around the issue of redress versus development, it was a theory that

Harold Wolpie developed in the earlier part of the 90's and it really, the issue is really not redress versus development or equity versus development the issue is equity and development. In the South African situation we have to have both but having both does not mean that one
5 address then equally, on the contrary, so in the commission itself which was quite heavily loaded with vice chancellors from historically black University's there was a very strong pressure on equity.

And then that ran through the white paper, it is run right through the system now and it is even run into the differences in the departments
10 where the departments of higher education and training is much more equity redress oriented, focus on undergraduate education, department of science and technology is much more what we call development, knowledge economy oriented and post graduate oriented. So this tension sits there and in the debate about fees it is also there and that is
15 one of the things that later on we will have to look at. But from the political context and this is where the economy and politics come in, we have got a situation where I will show you in the next slide or two where the options for students from, the poor students from the townships have become considerably reduced firstly through high unemployment and
20 secondly through the lack of the expansion of the tertiary education system, it is expanding but it is expanding too slow.

So a lot of kids in the township now for them the rational choice is higher education, to get out of poverty and get out of higher education
ag get out of the township, so that then puts a huge political pressure on
25 the higher education system which is a thing that higher education

systems worldwide is not very well equipped to do and it has certain effects and in the next two slides I will show you some of those effects.

JUDGE: You speak of higher education, are you at this stage meaning both University's and ...[intervenes]

5 DR. N. CLOETE: Ja usually when we speak of higher education we mean University's and the new college sector, the Tvet college but actually world bank and internationally tertiary education is everything beyond matric, post secondary actually. We have got a big confusion in our system on which I was unfortunately part of is this post school
10 system, post school is a very confusing term because it actually deals with students who are out of school so you have students who do not have matric and then you have people who have got matric and these colleges are struggling to actually develop an identity of what they actually are but I will comment on that.

15 The main issue is that there is enormous pressure on the higher education and particularly the University sector to get access to it and to move up. Now when this crisis developed and I will show you some statistics of how it developed, it took the University sector by surprise despite the fact that some of us have been telling them for a long time
20 there is a big problem coming here, they actually had a three year project on revising the funding formula which was chaired by Cyril Ramaphosa but it was a classic case of changing the deck chairs on the titanic because the whole debate was about distributing the money that comes from government within the institutions.

25 They never entered the debate and I asked them when I met

with them what about the actual amount that comes to higher education, do they know that that was written out of our brief, we were not, it was not in our brief to look at that, we only had to look at the distribution. Then I make a, so the vice chancellors or there is no vice chancellors
5 here but what I commonly say is they acted like spaza shop owners, they panicked, closed their shop, called the cops and then called the government to come and help them. In the process they disturbed the autonomy relationship which they are now trying to renegotiate to because they actually handed over the fee issue to the government
10 which is one of the main issues that we now have to re-discuss how is this going to work and there have been for years a discussion within higher education about having a kind of a, like a fixed percent every year, five percent or eight percent but the University's have always said that is their autonomy to decide the amount of money that they charge
15 and their percentage of fees.

But actually it was part of their autonomy but they have now given it up so now you may know that in the department even there is a discussion about setting up something like PERSA, and independent body that will actually determine a fee every year, I do not know if that is
20 what your commission is going to look at in terms of that kind of dynamics but that is the debate. For me I wrote something about third forcing in student politics, it was partially tongue in the cheek, it was that time that there were third forces everywhere and they were even saying that the American ambassador was busy with the third force in the
25 country but it is a very serious thing, in other African countries where the

political parties enter campus and the campus politics start getting organised according to party lines and the different parties recruit their future leadership and they put thousands.

I have just come, I was at the University of Ghana and Makalele
5 in the last week, these parties put thousands of dollars into supporting certain candidates and certain students so you have a very dangerous situation, they paralyse the institution when you, it is not student politics but actually national party politics that enters the campus and the one interesting one in South Africa who banned that was Jonathan Jansen
10 and Jansen told me it is one of the reasons he is leaving because he could not control it, he saw it getting out of his control so I think it is a very important issue that we will have to address in the issue of.

And then the other thing is the silence of the academics, I have made a number of presentations to different student groups and one
15 came up to me the other day and they say you know we only talk to the VC and the cops, we never talk to academics about this, in my days we had a big Union of Democratic University Staff Associations we were very influential in writing the new in the National Commission and things like that but it seems that the academics have become completely
20 marginalised and is actually withdrawn from this which have led to a very negative kind of an attitude, I mean yesterday at UCT there was like 50 people from economics but they sat there they had nothing to say.

JUDGE: The problem is that politically inclined people cannot understand those who do not want to be politically inclined.

25 DR. N. CLOETE: That is true too but this is politics of their own

institution and their own future ways that they are going to manage their salaries and their classes etcetera but nevertheless I am just sketching a picture, I am not, I think it is something that we need to just keep in the broad picture. The next slide please, I am going to go over this very quickly but South Africa has the best post graduate higher education system in Africa and in these rankings of UCT being the top University in Africa etcetera is all based on post graduate performance, doctorates, research, output things like that and in a recent ranking by Times higher education South Africa actually produced three of the top 12 institutions in the developing world and in the bricks, Brazil and Russia one each, India none with a billion people but China six.

And I will come back to the very interesting, China is by far the most interesting case in the world at the moment of higher education and it has been finally been studied more widely, so if you want to see the, if you want to see one of the problems that we or one of the successes of our post graduate system, if you go to the next slide doctoral graduates then you see that University of, I have a project with eight African University's, their flagship University's, Eduardo, Ghana, Makalele, Nairobi and with over a 10 year period collected data from them, you see that UCT actually produces as many PHD's as the other seven institutions together.

This has led to some very interesting developments like currently the growth rate in PHD graduates of Africans is 20 percent for Africans from the rest of Africa and four percent from South Africa, if this continues for another few years the vast majority of African PHD holders

will be from other parts of Africa for two simple reasons, the one is this one and that is that the African University's are not offering a lot of PHD's because they are largely undergraduate institutions, 90 percent of their student bodies are undergraduates, UCT is 70 percent, 65 percent, 5 these great University's in the world Harvard and all of them are all round about 60 percent, 60 to 70 percent undergraduate.

So a thing that we as higher education experts are very worried about is that South Africa can follow this path of the rest of the continent and become a largely undergraduate institution, University's it will have 10 very serious consequences for us as well as for the rest of Africa and so the issue is how does one, how do we develop and protect this post secondary system and then at the same time you also improve or deal with the undergraduate system and it is already affecting it. We did a book last year on the doctorate that where we got these data from and 15 we developed a model that proposed that doctorate students should be full time, that these part time doctorates take seven ears to do and the thing is really outdated system etcetera, many countries in the world have gone through a completely different system and that is why they producing so many PHD's.

20 So we propose the system that Norway just like we talk in the fees etcetera use is they appoint a predox, the students get appointed to the University, they get a salary and for three years and then you can also have different models of education for them, supervision, all these kinds of things, both the DHCT and the department of science and 25 technology was very interested in this and one of them put aside a billion

rand for this and by January the money had been moved to student debt so that was the, that is for us the first real tension showing where there is pressure and a problem in the undergraduate system, it is also going to affect the postgraduate system. Next slide ...[intervenes]

5 COMMISSIONER ALLY: Doctor, doctor before you move to the next slide can you just put your mic off, before you move to the next slide, your study on doctoral graduates did you differentiate between the different studies in terms of whether it was humanities or engineering or any of that kind to determine what these doctoral students are studying
10 in Africa or in South Africa also.

DR. N. CLOETE: You know we were not, we did not study the content, what we did where there is enormous differences is in performance, six University's in South Africa produce 70 percent of all the PHD's and then there is another six University's that produce one percent so there is a
15 top end set of institutions and they are the ones who are attracting the students from other African countries and then the sciences in general, engineering but particularly science is much more efficient, they finish much quicker but they often already have a model of full time students linked into projects so their actual PHD model is already different from
20 the humanities and the social sciences.

But the other thing that we also found was that in this differentiation is that there is five or six University's where students finish within five years, it is about 60 percent, 55, 60 percent of the students finish within five years but then there is institutions where there is
25 students take 10 years and more and there is, well there is some

institutions where they basically never finish so there is an inefficiency on that side but the differentiation is more between the institutions so if you want to actually do a PHD in a fairly quick time you can actually go and look at that table then you can see there is five or six institutions
5 where you should go, well I do not know, students do that in America but I do not know here. Yes can I move on?

JUDGE: Thank you.

DR. N. CLOETE: The inefficiencies in the best higher education system in Africa, all fast expanding systems have inefficiencies, from the
10 Chinese to Indians to everybody and we are in a expanding system but not very fast and not fast enough but nevertheless so we do need to accept some inefficiencies but we have got particular inefficiencies and I took out in the shorter version the slide that I think that was in the other one that of one million kids that enter Grade 1, 53 000 will get a degree,
15 look it is not, we did not track all the same children but this is so far as van der Berg's co-ord studies for the whole school system and we have finally managed to get money from the DHET, we are busy linking the school system to the University system data so we will actually know in a about a years time be able to track a student from Grade 1 to degree
20 which will be very useful in terms of the education system.

But in the undergraduate system itself only 30 percent of the students finish within three years and there again there is a big difference between a certain top group of institutions and other institutions and it is very important to look at what we have discovered at
25 completion rates and not at pass rates. NSFAS for a long time used the

pass rates now these poor kids pass subjects but they do not complete and nobody wants to give us an official figure but we know from people in Treasury that there is over 70 percent of NSFAS students do not complete and there is some rumours from the CHE and other bodies that
5 it may be closer to 80 percent so that set up a huge wasteful system.

JUDGE: May I just ask you, your point number 3 if 30 percent graduate in three years and 56 in five years does that imply that something of the nature of 25 percent fail twice?

DR. N. CLOETE: I would not say fail twice but they take courses and
10 they pass and they pull on other, then they pass some courses and then they repeat them and then they finally graduate after five years.

JUDGE: I see alright.

DR. N. CLOETE: But there is another thing that that contributes to, we found that there is actually, there is more students in the undergraduate
15 system who should not be there, the new ones coming in and so what we have not got and the CHE and us need to look at that is so students drop out of the system and that could be, part of that could be money. We have tried to find a figure of students who drop out in good standing and we cannot get a clear figure but there is quite a substantial number,
20 if you talk to people in the different institutions and a person that drops out in good standing must have either a psychological problem or a financial problem I mean that is the only two otherwise you will stay on.

So that we have got this expanding undergraduate system with very low completion rates and where people come in and out which
25 actually then makes it very difficult to bring in new co-ords and get them

through, now there is all kinds of and I am not going to go into that at all, the CHE has done the big tracking studies etcetera, we think there is a few obvious problems, the one problem is that we are taking students into the undergraduate system who the University's know from testing is
5 not going to complete in three years and people that I know who is doing, is involved with that testing tell you that they can fairly clearly tell you that there is a certain group of students they are going to make it and the other lot is going to take longer.

The way that the governments funding works by giving more
10 than 70 percent to enrolment means that it actually for the University's they can take a chance on this, if you get 70 percent of the funding and the student loan complete then actually that is not a bad bet and you can also look at your equity profile. In many countries now they are moving to a 50/50 system where 50 percent for enrolment and 50 percent for
15 graduation so there is more pressure on the University to actually make sure that the student complete. We have got a very self serving and a very negative thing in South Africa where the University's take these students, they say that they take the subsidy, they fail them then they say but the school did not prepare them properly.

20 But if the school did not prepare them properly why did they take them in the first place so we actually and I will come to that next, looking at our school system we are taking too many people into the undergraduate University curriculum and actually we need to expand the other, the colleagues, vocational education, other sources of education,
25 instead because there is such a high status and such a high return to

University education we keep on putting pressure on the University system to take more students and with such an inefficient system they are not going anywhere so I think we have got a serious re-think of the undergraduate system.

5 The other big problem is the honours degree for post graduate, it is only New Zealand and Genevieve has told me England is now, England has now changed where there is still an honours system ...[intervenes]

COMMISSIONER ALLY: Doctor if I may, where do you think the sigma
10 and this issue of status starts, do you blame the University or does it start in the family's themselves and how does one then go about trying to solve the situation in the system as a whole?

DR. N. CLOETE: That is a big question, you know it is the students likes to blame everything on colonialism I mean but the birds [?] were not
15 innocent in this, throughout Africa there is vocational education, a technical education is looked down on, we inherited the system where University is the Oxford Cambridge model with free education for the elite and it permeates our continent and we are not going to change it unless we create other forms of education where students actually get
20 jobs from it. The moment you can go to college, at the moment students are very reluctant to go to colleges because the colleges has not established themselves as places from where you get a job quickly and there is also kids there that have not even finished matric so the status is in the University system and then I will show you how the status plays
25 itself out in terms of financial returns. Okay so ...[intervenes]

JUDGE: I am sorry you said only New Zealand and Britain have an honour system?

DR. N. CLOETE: Ja.

JUDGE: I do not understand what an honours system is?

5 DR. N. CLOETE: Oh sorry, all the other systems, all the other, in the rest of the world you have a four year undergraduate system, four years not three and the CSE has done a big study that shows that actually it will be more efficient to have a four year system in terms of success rate than what we have now so and the Bologna process so you have now got four
10 years, two years for masters and then the PHD that is now the global system but what has happened with our honours system here is because it is an in between qualification, it is not funded by the NRF and it is not funded well by the University's so we did a survey as part of this doctoral book on 5000 students and it shows that black students, white students,
15 80 percent of white students use family money to do an honours and it is a big block for black students who could not get funding so not only is it a problem in terms of the structure it is also an obstacle for students in terms of progressing into postgraduate so ...[intervenes]

JUDGE: Is it not required to do honours before doing a masters?

20 DR. N. CLOETE: Yes, yes ja and we have a lot of problems with that with students from other African countries where they come here with a four year degrees and then some University's start the whole thing and some test them again because they say well you have not got an honours you have got four years so it will also actually put us in line with
25 the rest of the continent actually. Can we go to the next slide, this is

where a real problem lies that we did not, could not address from the National Commission, it is called the inverted pyramid, if you look at the small one at the bottom that is the American system for instance which is a very good higher education system despite all kinds of other problems
5 but there you can see you have got a smaller University system, four year research and then a huge college sector 3000 students institutions.

But in 1995 in the commission all that we had was University's and technicons that was part of the national and I have to give the DHET considerable credit I think Blade Nzimande's great legacy will be that he,
10 if you look at those two inverted pyramids that he has moved, you can see there is virtually no increase in University enrolment, 900 000 to a million but there is almost a doubling of people in the college sector, now the college sector is still very inefficient and it has not got high status but this is the, a key sector for the future and in terms of financial
15 support that is of course also what you will have to look at, initially they did not even qualify as far as I remember.

And then we have got far too small a sector of small private institutions that offer a particular kind of things for students that is directly job market related. Now the bottom group, this is the thing that
20 we actually developed in 2008, discovered by accident that there were at that stage 2.5 million kids between 18 and 24 years old who were not in education, not in employment and not in training and it partially happened because the Department of Education was divided into a higher education sector and a schooling sector and nobody was looking
25 at what happens to the kids that is not in the schooling sector or who is

not in higher education.

So in the bigger fees debates and in feasibility and in terms of government policy if you have to make a decision or if you make a claim for free higher education you also have to answer the question what
5 about that 3 million, if you, that 3 million there is lots of statistics that is, a lot of people are very surprised that they are not causing a lot more problems than what they do.

JUDGE: Of the 3 million what percentage are candidates for higher education?

10 DR. N. CLOETE: About 900 000, 800 to 900 000, the other ones you would call post school or colleges.

JUDGE: So it is approximately about 30 percent.

DR. N. CLOETE: Yes, ja so that means that there are like round about 800 000 students out there who has completed school, who is not in any
15 form of education and is not in any form of employment. If I can divert a moment the Egyptians how has got a 30 percent participation rate while we only have a 20 percent they dealt with this problem by warehousing students, they literally took huge warehouses and turned them into, called them University's and kept these students busy there with low
20 quality, low grade qualifications but they were at least off the street but this famous sociologist I work with Castels he has written a book on the Arab spring and the student movement and a substantial number of the Egyptian protesters that overturned the government came out of that sector, so if you provide, if you just provide free or sort of cheap
25 education ...[intervenes]

JUDGE: It proves a little knowledge is a dangerous thing.

DR. N. CLOETE: Ja, ja, ja and aspiration remember, if you now have an aspiration that you are in some kind of a University with and then with very few jobs and not skills for the skills market so that is a huge
5 problem that we have to look at the big picture when we allocate money for education and I think the, what should I call it, the petty bourgeoisie in higher education has to answer this question too if we want increased funding from government for University's and colleges where are we going to get money for this, how are we going to cut this cake and this is
10 where the issue of growth comes in, if the economy is not growing then you have got to actually cut the existing cake so if the economy is growing then you can say let us put new money into higher education because, I will show you now that we have to invest more money in education than what we are but at the same time the question is where,
15 in which kind of education and which kind of education is there a return for us.

ADV. K. PILLAY SC: Sorry Dr Cloete may I just ask you a question on that, I am just trying to understand in relation to these 3 million let us call the post school students, whether it is it a case of fees, University fees
20 being an obstacle to them accessing the University system or is it a case of us needing to look at alternative forms of post schooling structures to accommodate them?

DR. N. CLOETE: All three really and I will show you a statistic a bit later on about that. The big issue is alternative forms because a lot of them
25 would not qualify, the majority of them do not qualify for University so

there needs to be other forms of education so that sets up the tension between different sectors of education, how much money do you give to a different sector. On the next slide a diverse and differentiated system, this is just a repeat of what I have said that we actually just need a
5 system that that got three board categories, the one is the post matric qualification, this is the Obama, the big Obama reform why he wanted to have free community colleges because there is a lot of statistical evidence that the fastest growth in jobs is in what we call the post school or what he calls the socio degree sector.

10 Because in the knowledge economy students require something more than matric, matric is not quite enough so they need to have other skills but they do not necessarily need a degree or a PHD so that is the, and that sector also relates to the employment and the job market much more directly than for instance the higher education sector so that is the
15 one that needs to expand and then we need a strata of University's that offers very good training, it does not mean they do not do any research etcetera but they do have to have a focus and then we do need a few world class institutions which we have, our system is differentiated like that at the moment already, it is in the post matric qualification area that
20 we have got the biggest problem.

 And that is also where there is the biggest possibility for addressing inequality, I will show you that University's are not good at changing inequality, University's are good a other things. Okay can we go to the next slide, ja the first slide just really shows that what higher
25 education does it is both a preserver of privilege but it also provides

options but for a very small group of people actually and you can see there from a huge study in the US that over 30 years or 40 years the percentage of the poor that goes to University has stayed at 10 percent but the percentage of middle class has gone from 30 or 40 to 80 and 90
5 percent.

So University's actually often offer a very small ladder out of poverty but it still does not offer, it does not change inequality, there is a study that has recently come out in England which shows if a poor child goes to the same University in England, a middle class child will earn
10 more over a 15 year period than the poor child that went to the same University so in general the middle class I mean there is cultural capital and connections and all these things, in general the middle class benefit more than what the poor does, for the poor it just helps to, of course it gets income, it gets them out of poverty but it does not change inequality
15 and these are two different concepts so we must just keep that in mind.

In the next slide invest in higher education, there is overwhelming evidence everywhere in the world that investing in education is part of the new global knowledge economy, the participation rates in these innovation top end economies, career all of them is over
20 90 percent now and a lot of them is over 80 percent, some of them career is 98 percent which means that virtually every child that leaves school goes into some form of tertiary post education. Ours is 20 percent in the rest of Africa it varies between 5 and 10 percent and if you link that to the World Economic Forum data then that is, you stay in what
25 we call a factor economy and a factor economy is an agriculture, mining

and that kind of thing, we are now in an efficiency economy where we are supposed to have somewhere between 30 and 50 percent of students in participation, participating in tertiary education and we are in 20 percent but we are moving.

5 But the big debate and the big issue is that actually we need a, we need to keep the University system, we cannot expand the University system too fast basically because there are not qualified students coming through but we have to expand the rest of the system if we want to get a post school post secondary participation that to go up. And then
10 the next slide is the one that the government contests and Treasury get very worked up about. Of course at the moment when I asked the Treasury official what is our investment he says nobody knows because of all this bailout money and different money that has been moved around so we do not actually know, it is definitely round about Australia
15 1.2 or 1.3 actually if you add in this new money that has come in but the question is, is that money going to stay in the system.

 The problem with that is the bailout economy, I was talking to Mogoba in the National Planning Commission, they were tasked with finding this money and they had a meeting last year November,
20 December, they found something like 50, 60 billion that was available, unspent money in different departments in different places but and so giving the University the money that the University got was not, was actually not a big thing it was done, it was sort of done in about two or three days they actually found the money but it is a bailout and then they
25 also had to bailout SAA and there was extra money for Eskom so now

the question is are we in the next round, are we going to go back into a bailout for higher education if we now get the zero percent increase because then there is going to be a shortage again.

So if we talk about a sustainable funding system we are going to
5 have to in the economy make sure that there is a, that we come to an
agreement of what is the proportion of money that we are going to put
into higher education. I am actually part of a group that we are in the
process of setting up to look at that question because we have never
looked at that question properly but that is down the line, I think it will be
10 very useful if a commission likes this can signal that something like this
needs to be done it is not necessarily your responsibility but that there
needs to be an agreement, the department has got some plan about 30
percent participation rate by 2020 or something like that which is too low
actually but nevertheless there is some kind but it is not only the
15 participation rate it is actually what proportion of the budget is going to
go there.

JUDGE: May you not need a bailout temporarily?

DR. N. CLOETE: Of course, of course we do but the point is I am now
talking about the sustainable system, absolutely. A senior person in the
20 Treasury told me that in 1995 when they sat down for the first big budget
the perception of higher education was in comparison to hospitals and
other places that it was over funded and it was lazy and both of them are
not untrue. We have got figures now that show that the current higher
education system for instance the production of publications, of PHD's
25 and things like that have increased dramatically, like by 120 percent

while the number of staff has only increased by about 20 percent so there has been some considerable improvements in efficiency particularly at the post graduate system but from that negative perception of higher education at that moment they fixed the percentage
5 and once you have a percentage in a cabinet, when students and people talk about we must get money somewhere the money is there.

These cabinet meetings and portfolios is you have got to take money from one to give to the other one and who gives the money up, so there is a serious need to rethink what is the proportion of funding
10 that should go to higher education and then of course internationally in terms of schooling we are doing very well, our proportion of spending on schooling is right up there it is over 20 percent, 22, 24 percent which compares very well internationally but in terms of higher education we did not so if you look at the next slide, oh and then by the way of course
15 then you see that China 3 percent, Finland 2.18 percent etcetera, these countries are spending a lot more money on higher education.

The state budget for University's also shows that actually it has declined after the, well basically after the 2009/10 period higher education did actually stay fairly stable it actually increased a bit as I will
20 show you but there is clearly a problem in government allocation to higher education science and technology and those things are linked and if you take the SKA budget out of the science budget then the science system is very poorly funded, SKA own the telescopes, you know the telescopes is going to be the biggest science project in the world that
25 they are building in Carnarvon.

JUDGE: ...[inaudible]

DR. N. CLOETE: Square kilometre, SKA ja that takes about 20 or 25 percent of the whole budget. The next slide shows actually what we were talking about and where the tension built up and it does show that

5 government actual amount of money from 2000 to 2013 increased, people say government is decreased, no the next one, the one that says streams of University income, aah there it is sorry, sorry. But when people say government subsidy has decreased that is not to, what has decreased is the proportion of the budget that it funds so you can see

10 there the government went from 16 million to 21 million which is quite an increase but the proportion of the budget decreased from 49 to 40 percent and our University is like Wits and UCT and them went down at 30 percent which is sort of like Harvard and those places I mean you know which then puts a lot of pressure on them to raise extra money and

15 get money from students.

And then even in third stream income the University's have almost doubled there so it shows that University's are not that slack and that poor performing but then what happened, what was the easy thing to do, raise the fees, how do you cover the rest, let the students pay

20 more. Now University's there is a few of them, Stellenbosch, UCT etcetera actually charge higher fees and they take some of that fees to cost subsidise poor students but that is an internal sort of arrangement so it did inflate their fees a bit more than what was necessary than what is actually the case but that is the debate that we must have, that is the

25 heart of the debate, what proportion of this University budget must be

covered by the government, what can one realistically expect they can do in third stream and what then must come from the students.

In this meetings at Ghana and Makalele and Mauritius last week what intrigued me is that after every meeting, and these meetings had
5 the Chair of counsel and the vice chancellors etcetera, somebody would come to me and say we watching South Africa on the fees issue and if you guys go to no fees or get stuck on this fees we are bugged because the continent, the continent is now realised and these University's like Lagon and Makalele are actually doing well in terms of
10 their performance, they are producing more PHD's, they are publishing a lot more but they have got no money, they have only got a limited amount of money from the government and Development Aid and actually Makalele gets 100 million a year from Development Aid which is the amount that UCT gets from third stream, 100 million dollars which is
15 a lot but they are saying we cannot do better research, we cannot take more PHD's because that gap of the student fees which in South Africa's case is R17 billion, who fills that gap so that is the question when we talk about can you expect government to spend more and fill that gap or who is going to fill the gap.

20 COMMISSIONER KHUMALO: Sorry Doctor can I ask you a question, the fee, is the problem that they are paying fees or is the problem the amount of the fee?

DR. N. CLOETE: Do not ask me but I think they get mixed, there are some student groups who are talking about the amount and then there is
25 another group that do not want to pay any fees that has got the notion of

free higher education.

COMMISSIONER KHUMALO: Sorry I am asking because I keep coming back to the issue of the higher education inflation that is higher than normal inflation and that is one of the reasons that are given to explain
5 the level of the fee increases.

DR. N. CLOETE: It was in one of my slides, higher education inflation increased over the last 10 years by 10 to 11 percent a year while national inflation was 5, 6 percent so it was almost double and this is another question that I do not expect this commission to investigate but
10 will be very pleased if they recommend that somebody looks at it. Inefficiency in the higher education system is a big issue and nobody wants to touch it, I asked these economists yesterday why do you not put one or two PHD students on to actually do a, firstly we do not have a good sense of what does inefficiency mean, CHE and all we have always
15 looked at inefficiency just in terms of completion rate, pass rates, are your students passing, now we know we are doing very poorly in that because we have got a very poor completion rate already.

Golf Stumph was from the CHE he did a study years ago about the use of plant, the use of the facilities in the University's and he came
20 up with shocking figures, 20, 25 percent of the time, many of these University buildings stand empty for holidays, for weekends, for evenings, while they could be used for multiple purposes but we seem to be stuck in this additional model of how a University, if you go to these American campuses they are buzzing at night I mean even there at
25 Makalele I saw students 21:00, 22:00 the students with cars and they

were on the campus and they were doing things. Our campuses is sort of like the old inner cities, they sort of empty out and then those buildings just stand there they are not used by other educational facilities, nobody else comes and teach part time there so that is an
5 inefficiency that needs to be looked at.

Then the third one is what I call the wet blankets which does not make me popular. There is a layer of people in the University system called directors, deputies, deputy director, Bunting and I did a quick look at UCT in the early 90's and it was only the vice chancellor and the head
10 of finance that earned more than a senior professor. By 2002 there were 40 people at UCT that was earning more than a senior professor, now a number of these directors and deputy directors and deputy vice chancellors, there was no deputy vice chancellors at that time are earning salaries of round about 2 million, 1.5 to 2 million, this is unknown
15 in University's in other parts of the world you know.

JUDGE: Dr Cloete I asked a question yesterday about a statement that had been made to me by an academic that there has been a five fold increase in administrative staff over the last half dozen years as against a very small increase in academic staff, is this true or not?

20 DR. N. CLOETE: Yes it is true, I do not know about five but there has been, some University's like UKZN had a huge cleanout and got rid of about 50 admin staff and put the money into scholarship for post doctoral or something which was ...[intervenes]

JUDGE: Why has this happening?

25 DR. N. CLOETE: You know globally there is a thing of one of the

University's defences will be this managerialism, there is a lot more pressure on the University's to produce reports to manage things, to report to on equity, to do this etcetera so it is a kind of a what we, you know it is a kind of a, they are copying, academics are supposed to be innovative but they are actually great copiers globally and they copy the high status institutions so there is a lot of this going on. Research management officers for instance, 10 years ago there was no research managers but now everyone has got a whole structure with a deputy vice chancellor, two managers, two directors, at UCT they have got like 50 people in the research management office alone, I think it is a question that has to be asked on the system.

ADV. K. PILLAY SC: Dr Cloete can I just ask you one other question of the wet blankets, whether or not those are an inefficiency in the system would depend, we would need to do an institution by institution analysis because surely it differs from some institutions to the other?

DR. N. CLOETE: And the big issue is, while with this managerialism there is a lot more simple indicators on the academics, are they publishing, how much are they publishing, how many students are they teaching, they fill in forms now the number of class hours, you know all these kinds of things but for this layer there is very poor, they all got performance contracts one of them phoned me one day and says I am taking you for lunch you must tell me what this performance contract means, I have got no idea what it means but I actually get my performance bonus every year so there is certainly and I do not want to start a whole thing against the University's at all I mean it is my whole

life, I have spent my whole life there but we do need an efficiency look at what is going on.

But let me tell you a huge problem that they are now facing is in-sourcing. The admin staff has not doubled they tripled, UKZN has taken
5 in 800 staff members on their books. Now in the typical South African thing where we demand something, we demand free education then at the same time we do not trade it off with anything, next thing we also demand in-sourcing so suddenly there is huge pressures on the University to deal with as well as dealing with, and you know the thing
10 about in-sourcing is not, the one is in-sourcing the worker but who manages the worker. The outsourcing happened because University's wanted firstly some cheaper labour which had a big problem but secondly they could not manage them, I was at Turfloop when the students burnt down the cafeteria, I said the bad food is not coming from
15 the cafeteria man it is from the people who work there.

And they in the end agreed to outsourcing, that was in 1991 or 1992 and got in Fedex and it worked, they cooked better and the students got better food. What we said at that stage was there needs to be a minimum wage, the University must make sure that the outsourcers
20 do not exploit them and secondly the people who work for the University should have access, their children should be able to get discount to study at University. UCT is now buying buses to replace the jammy and they are hiring for over a million ...[intervenes]

JUDGE: The what?

25 DR. N. CLOETE: The jammy bus, the University had to outsource

shuttle service all over the city to deal with the accommodation crisis or accommodation problem, it is a very nice service and students can stay anywhere in the city basically and they get picked up etcetera but it was part of the service, big Golden Arrow bus company, they did it very well
5 but now the University has not only going to get their own buses they have got to hire the manager from Golden Arrow because they do not have anybody on the campus that can manage the bus service so that is part of a huge inefficiency and efficiency challenge that the University's are going to face in the next few years.

10 COMMISSIONER ALLY: Doctor what influence if any did the mergers, because the mergers started 10, 12 years ago, what influence did that have on the inefficiency of academic and admin staff taking into account that you would take a University as it is, all its staff and bring it into yours and would that not influence what you are saying now about inefficiency
15 because you have got to carry those people for a certain time and have a triton take place and then we can get to normality again.

DR. N. CLOETE: No I think, I mean we have been talking to the department for years and saying let us do a proper study on the merger, we did one big study two years ago with an international panel at North
20 West University and the merger of Bopu, that other University the three University's into one, it was a mixed thing, there was certain efficiencies but the efficiencies happened more on the academic side, they actually were able to, firstly they got rid of some courses and secondly academics were able to carry bigger loads, where they had a bigger
25 problem was exactly in the top management, if you were deputy vice

chancellor in the old Mabatú campus the conditions was that you could not get rid of them, you had to take them into the system at Potch so I think that definitely did contribute to it and now the in-sourcing is going to, so I think the University's are facing a huge administrative
5 management kind of problem along with the issue of fees that they are going to have to manage and I do not know what this commission can say about it.

But I think all of that could be part of a proper efficiency study, do the University's really need so many of these top people and what kind
10 of managers etcetera. Can we move on, who benefits from subsidies?

JUDGE: Dr Cloete it is 11:15.

DR. N. CLOETE: How long?

JUDGE: And I think we should take an adjournment for 10 minutes now.

DR. N. CLOETE: That will be good.

15 JUDGE: That is what we will do, we will adjourn for 10 minutes.

HEARING ADJOURNS

HEARING RESUMES

JUDGE: Yes, Dr Cloete would you continue please.

DR. N. CLOETE: Thank you, the last point about that current slide, I just want you to notice the arrow on the side that says private, what that
20 means is that there is a, for me quite a surprisingly low percentage of students who actually pay all their money from their own funds. This private means that they do not have loans, they do not have, they can basically pay. So, so it gives you an indication that 80 percent of the students actually need some form of deal or some assistance or some

whatever the case maybe. Well that fits in by the bigger picture but it is just something to keep in mind. On the next slide I am not going to ...[intervenes]

JUDGE: But when you said ...[intervenes]

5 DR. N. CLOETE: That means it is their own money.

JUDGE: You do not know how they raised those funds privately.

DR. N. CLOETE: Ja, sure.

JUDGE: For all you know they may borrow the money.

DR. N. CLOETE: No, that is, we not hundred percent sure what
10 percentage of them may have or ja, borrow from other family members or even, but as far as the Shepard could determine that they did not have official, they had not applied to NSFAS and they had not loans from the banks that usually leant money.

JUDGE: Oh, I see.

15 DR. N. CLOETE: So it must be outside of that group perhaps, sorry, the number or percentage may even be smaller. The next slide is just to show that there is quite big differences between the University's, this to wish an income that means actually. The money that they got and off course the bigger and richer University's are also better at collecting
20 money so you do have a problem with the smaller University like Fort Hare. This does not mean this was the fees that they were own but this is the money that they actually got which is something that is going to differentiate and I think keep being a problem for the historically black and smaller rural University's.

The next slide is the - answering your question of feasibility in a crude way. It shows that the feasibility is under pressure, if you look at the tax revenue to the State, the subsidy transferred to University's and the fee revenue then you can see there is three different trajectories that has develop since 2007. But I am not going to talk about that actual money it is just showing that, that the money will have to come from somewhere else. It is not going to come from normal tax which is decreasing. Can we go to 17 who benefits from University subsidies?

JUDGE: Just a moment that rather depends on how your normal tax is regulated because it appears here that there was a substantial dip and that the progression has been from the dip.

DR. N. CLOETE: Yes, the question is, but I am not clear about this too, is this a tax revenue collection or is it an effect because a lot of people saying that the financial crisis really actually only affect us a year or two later. You know, that was in 2008/08/09 that was a financial crises but since then it has gone up but there is still quite a substantial gab. This was just, this guy need his PHD on a financial status of the University's and state income.

JUDGE: Interesting.

DR. N. CLOETE: I do not know I would not put too much emphasis on it. Then the next slide on who benefits from University's subsidies is something that is counter intuitive for many people because people think if you make higher education free the poor is going to benefit. But actually in every country that they have studies this and I will show you some of the reasons why, the people who benefit is the middleclass and

the rich.

JUDGE: By free you mean without any subsequent obligation?

DR. N. CLOETE: No, no even with, if government spends more money on subsidising the University, in England for instance, Nicolas Barr from
5 London School of Economics had done the study for the British government. The University vice chancellor say they must give them more money, they must give more money then they will take in more students from the poor. But actually they take in more middleclass students because it is not because they selecting them it is because
10 more middleclass student qualify for University.

JUDGE: So you suggesting that if NSFAS has more money available to it the effect would be to increase the middleclass student?

DR. N. CLOETE: I will show you that in the next slide.

JUDGE: But of course that is apparently necessary because we dealing
15 with what?

DR. N. CLOETE: No, that is, no, of course ...[inaudible] more money with a targeted group that is a completely different debate, the fees, if you make fees free or very low fees then it benefit the low class and the rich. Because more of them get free higher education then because
20 more of them go to University, I will show you in the next side or the next one or two slides. We will come back to that. A big debate is always private public returns and the world bank make a big thing about it but I think private returns are also good for the economy, it is also part of development actually. Because if you look there under point 5, high
25 education has numerous private benefits, higher salaries, they pay more

tax, they live longer, they do all kind of things. So it is not that it is simply benefits the individual but it does mean that there is a big return to the individual. Now the thing is that that is really problematic for us in this debate, is according to the World Bank study in 2015 in 140
5 countries. South Africa actually has the highest return to private return to ...[inaudible] education.

JUDGE: How do you measure that?

DR. N. CLOETE: This is a index that they develop of how much people who have University education earn over a certain period but it is not an
10 actual sort of a real figure but it goes from sort of like ten to fifty or forty and South Africa is at the top end of that scale, it is like a ranking, University ranking.

JUDGE: Just let me understand what this means, if you take Norway which is at ten there.

15 DR. N. CLOETE: Yes?

JUDGE: A quarter of South Africa does that mean that a graduate in Norway is lightly to earn a lower salary in relation to the population as a whole that a graduate in South Africa?

DR. N. CLOETE: Of Course that is exactly what it is I mean I have got a
20 post in Norwegian University two things they do, one is 50 percent tax, you got to get a lawyer and an accountant if you want to get down to 48 percent. You just pay flat 50 percent tax, everybody is employed, 98 percent employment and a secretary will earn roundabout 500 000 krone of Norway and a professor will earn 700 TO 750 000. So the gab
25 between a professor and a secretary in the department is just 200 000.

The director of University of Oslo which is a world famous medic he only gets a 13th cheque for being the director. South African directors get R2, R3 million, two, three time more than what a professor gets

JUDGE: Do you think this indicates that it is a reflection of a greater
5 degree of equality in the society?

DR. N. CLOETE: Yes.

JUDGE: Because I notice particularly spending some time in Canada that there is a much, what shall I say, the different classes, if one might call them that, the man who does the, delivers the post live next door to
10 the man who is a professional.

DR. N. CLOETE: Yes.

JUDGE: And it does not seem to be any objection to that and the man who deliver the post or is the teacher seem to be capable of sustaining a dwelling which is comparable with that of the professional he live next
15 too. Now is this an indication of just a greater degree of equality in society?

DR. N. CLOETE: Yes, if you look at point 6, when I saw this figure I actually contacted Patriots from the World bank and said how can South Africa be, so he said you must look at the fact that South Africa also has
20 one of the highest ...[inaudible] in the world. It means that we are one of the most unequal societies in the world and he says they have found on a number of countries like Brazil etcetera, well Brazil is by far not as bad as us. But Uganda, Ghana if there is a inequality in the society then the returns to higher education and tertiary education is higher and I will
25 show you, Garthnex from Servaas van der Berg in South Africa.

FEMALE SPEAKER: ...[inaudible].

DR. N. CLOETE: Sorry?

FEMALE SPEAKER: On the subsidies I see here you are saying they regressive, what is the criteria for allocating this as it would appear that it
5 favour the rich according to this?

DR. N. CLOETE: What is the question?

FEMALE SPEAKER: I am asking the criteria for allocating this subsidies that you have call them on the previous slide as regressive they favour the rich.

10 DR. N. CLOETE: Sorry, it is a the subsidy that the government pay to the institution not to the individuals favours the rich the middle class because they benefit more from it because they got more access to it. I will show you when we get to, if you look at the next slide private returns. For those of you who are not familiar with history of high education in
15 Africa - somewhere in the 80' - the World Bank did a study that showed that there was very low returns to tertiary education in Africa and there was very high returns to primary education.

So they put pressure on African government to cut back on subsidies to University's and spend more money on primary education.
20 Which effectively destroyed the high education system in African the amount of money - I think it went from 3000 dollars per student to 1000 over about 10 years across a number of countries. But the governments of course were also punishing the University's because the University's were opposing the legumes of the day. So they were using the World
25 bank recommendation that they should cut University subsidies and give

the money to the primary schools.

Now in some sense of development increasing, remember these countries at those days had 10 or 20 percent of people going to school so getting a large ...[inaudible] the famous French economist. He also
5 shows that if you start, if you want to push your development, you must start with high quality primary education. But you cannot stop funding higher education you actually had to fund both but what they did is they end up in this thing over focusing. So and that led to very high school attendance in Africa that has increase dramatically and in most countries
10 now it is well over 80 and like us we are on 100 percent.

But our per University participation the suffered people could not go to University because the money had been shifted to the school system and the students in the public University were not paying fees. So if you now look at the normal high income countries on the bottom
15 right hand side. It shows there some return for going to primary school, there is a bit more for going to secondary school and then there is a bit more like 11 for going to University. So every sector that you go up your returns become more but look at Sub-Saharan in Africa.

Huge returns to going into tertiary education and still some
20 considerable returns to primary education. Somebody actually said that if we follow the World Bank recommendation we should just close down secondary education because the returns are very low. Secondary education is now just a way of getting from primary to tertiary education and I will show you that it has got very little effect on income. Then
25 again also in South Asia you look at the - worldwide in this knowledge

flying economy - economy that is becoming more knowledge driven.

In most of these countries 20 years ago the biggest returns was going to primary and secondary in schooling and now the returns has shifted to tertiary education. So this makes one very important point for the commission free high education or not the government has to invest into tertiary education. Tertiary education has returns for individuals as well as for the society so it is not that whether, free is a different debate from this. If you remember that 0,7 percent that we investing that is too low, the government investment in tertiary education is simply to low and we need to increase the participation much more.

If the government spends a lot of money on tertiary education with a low participation rate then it means you going back to the elite it benefit them. You got to broaden this tertiary education and the broadening is at the college level and the post school level and University will still be there. If you look at the next one, that is judge ...[intervenes]

JUDGE: Can one fairly compare these various regions when the economic and social circumstances of the populations are so different?

DR. N. CLOETE: No, that is true but it still gives you, I mean it differs between latten America and South East Asia and East Asia and us is that, of course we not talking about the high incoming economies which have got a different picture. But I mean we have to compare ourselves to the rest of the developing world and see what returns they getting and it is definitely lower than us. As I say it links to our inequality in the society ...[intervenes]

ADV. K. PILLAY SC: Doctor Cloete, I am sorry to interrupt you can I ask you a question about your primary submission that poor people have easier access to higher education. So the ...[inaudible] fees will not necessarily make it easier for the poor to access that it will make it
5 easier for the rich to access high education. What is the structural reason for that is it the quality of your basic education or does it go beyond that?

DR. N. CLOETE: ...[inaudible] reasons there but I will answer that, I will come back to that point for you. If you look at point 2 on the high
10 education employment and wages that is the hart of our problem according to Servaas van der Berg the economist from Stellenbosch. The large differentials in earning and access to jobs between the highly educated and the less educated, lies at the hart of income and equality. The high wage premium to educated workers derives from a combination
15 of a skill shortage at the top of the education system, driving up wages of the educated and as a fait of poorly educated workers competing for scare skills.

So what we have in this country is we - there is another ministry that has done, I think there, we have got like 800 000 registered high
20 skilled jobs that are vacant. There is nobody for them, 800 000 that is registered there is probably far over a million because if you not producing, your question about Norway is a very interesting one. Because in Norway 85 percent of the people go to University so if everybody is going to University there is large number, 85 percent of the
25 co-workers. Then there is competition, you cannot, you know, you drive

the wages down.

If there is three, four people with degrees applying for the same job the price of the job does not go up, it actually drives it down. I mean the things at the medical profession and I will not talk about the legal
5 profession have done fantastically is ...[inaudible] artificially driven down the number of doctors. Which have inflated the, for years under apartheid, inflated the income of doctors. In societies where the pushed up the number of people who come out of medial school, in Russia and those places, it became a women profession because actually it was not
10 so beneficial to become a male doctor.

So actually women started moving in and what has made our situation worst is we have this over supply of poorly skilled people. Then we have the influx from Zimbabwe and wherever where people came often from better school system than ours. Competing with our low
15 skilled people, driving the price of low skilled work down even more. At the same time the government is at the top now trying to restrict the number of Africans who want to come for academic job. We just got to think from the department of science to say 80 percent of doctor students must come from South Africa and people who qualify must go
20 back within two weeks or something and then they can try and apply and get a job back, you know this.

So what we doing is we making it even more difficult for high qualified people to come in while at the same time we did not protect the poor. So of course when these people move into the townships and
25 started competing with them and there were now more people than what

there were previously - this was going to be a disaster which is what it is. So they cannot and then they fill a lot of these jobs like parking attendance and all of these things etcetera. Which push, push the poor people down even more but we not addressing the shortage of skills at
5 the top end.

Because we not producing enough and we not letting many in we have done a quick little study about this thing that we need more black academics and the University say we do not have them. If we open up the South African University to academic from Africa we will
10 within 10 years have a very good distribution of black academics and women too. There are a lot of them in the rest of African that wants to come to South Africa and a lot of them that are well qualified. So we sitting with a shortage that has been kept through different policies at the top and then a very poorly manage immigration or people just coming in
15 with low skills.

Which had led to this xenophobia attacks and that but actually we have also have a form of xenophobia in the middle class who was actually trying, they just not chasing people out they just preventing people from coming in but that is on the side. Let us look at the next
20 slide, this is done on a huge database of van den Berg from Stats South Africa and it shows you this issue that I raise, if you look at employability. From having no schooling to about grade 9 there is basically no difference, actually van der Berg has got some figures that show that without schooling you can get some jobs that you cannot get once you
25 have been to school.

So in terms of pure employability but look how it picks up at grade 11 and 12 and then shoots up at grade 13 and if you look at one in terms of income grade 10, 11 again after grade 12 but around grade 12 there. One thing that he subsequently found is that, what also gives you
5 a big advantage is if you got a qualification a certificate for post school. Murray Leibbrandt from Saldru found that if you have a post school certificate any kind of certificate your chance of getting a job is five times more than without it and you earns three times more.

That comes back to the issue of the undergraduate getting, so
10 the fact that our students falls out of undergraduate without a certificate, some of us are arguing for like a two year exit associate degree something. But at least to show that you had been in the University, at the moment it is all or none, you either there at the grade 11 or 12 or you up there at the graduates. If you look at the next slide then you can see
15 even more dramatic difference.

COMMISSIONER ALLY: Doctor, if you can just perhaps clarify or explain, if we were like Norway 85 percent going to University and you have nowhere for those graduate to go to. The grass that you explaining here from my understanding is the income you would probably get which
20 would be higher if you were at University. However before you can get there you also got to answer the question as a country and as a higher education system is do you have places for all these graduates that you want, the 85 percent?

DR. N. CLOETE: Well the issue is with 700 000 vacancies there is a lot
25 of graduates that could be, the issue is the match, the match is not only

between the graduate. But between the actual skill and a graduate and
duplicity calls equality but - so in that sense there is a pressure on the
University system to not just produce graduates. But now you have raise
the issue of status, in the Western Cape we did a study a year ago, two
5 years ago about, we took the class of 2010 at all four University's. UCT,
Western Cape, Cape University of Technology and Stellenbosch and
look three years later where were they and the interesting, not surprising
for us, but interesting.

UCT students are three percent were not in a job and were not
10 satisfied with having gone to University and what they had done.
Stellenbosch 4 percent, UWC suddenly 9, 10 percent, Cape University of
Technology which is an institution design to prepare students for the job
market, 15 percent. This is the problem of status in the first place and
quality I mean UCT is the top rank University and Stellenbosch is now
15 number two. So that plays a role in getting a job and in quality of
education presumable and people are still sceptical of the technicon or
the University of Technology, they not quite, quite there.

But you know what was a fascinating statistic was the one thing -
the coalition was - the highest coalition was whether your mother had
20 been to University across all four institutions. Even if you went to - if you
had a mother that had been at University then your chance of getting a
job is about 10 times more. So that answers your question.

FEMALE SPEAKER: Sorry on that was that random sampling the
picking out, was it random sampling on the study?

25 DR. N. CLOETE: Yes, well you know we took all graduate in all four

institutions of 2010 and followed up with them, we got about 7, 8000 responses with information about them. The University's gave us information, what their parents, they did not what their parent earned but qualification, parents etcetera so that was a very important variable. So
5 there is a ...[intervenes]

JUDGE: What is the coloration between what your mother, whether your mother went to university and whether you get a job or not?

DR. N. CLOETE: Cultural capital.

JUDGE: Pardon?

10 DR. N. CLOETE: Cultural capital.

JUDGE: Oh, cultural capital.

DR. N. CLOETE: And cultural capital is very important getting a job, it is not only the technical capital.

JUDGE: Yes, okay, then.

15 DR. N. CLOETE: It is whether you knew how to handle an interview, how you can deal with social situation etcetera?

JUDGE: ...[inaudible] that has been build up while you growing up and that.

DR. N. CLOETE: Ja and the history.

20 FEMALE SPEAKER: And the father does not carry that?

DR. N. CLOETE: Well in a number of cases the father was not there to carry anything and probably more ...[inaudible] at UCT not but it was more. The interesting thing was it was a much higher coalition with the mother - in particularly at UWC and Cape University of Technology sp

that answer partially your question. You know in terms of your recommendations the issue with poor students failing, the University gives them a lot of academic support but there is a small MGO in Cape Town called RIEP or something. They have picked a number of poor students from poor rural areas and given them what they called social support.

You know when a student from Transkei arrives at UCT and he sees Long Street and Waterfront and all these other things, this is a huge social, cultural thing that they got to deal with and they just did a first evaluation on that and they have done a - there is a massive increase in success rate of these student who received social support. It is not money, if they had to meet every week, they get taken to things, they get taken around. They get helped if they got a problem with their partner, if they got a problem with the accommodation etcetera. So if we are serious about the poor we got to select the poor better to make sure that we really select people who have got capacity and then we got to support those people better.

That is one of the thing and it is not only financial support, it is difficult for University's to do that, student services sometimes do a bit of it but they cannot really pick a particular group. But I think one has to raise the issue of social support for - if we really want to make sure that a certain group of ...[inaudible] or poor students go through the system. Now, the next one you can flip over to the graft, where is the person who is turning? Approximate distribution of University attendance, there you are, this is a key draft that answers a number of questions.

The first one is the yellow, the yellow means you do not qualify for University or for higher education. What that draft shows you is that the problem of the poor is not that they do not have money for University they do not qualify for University. That is the femoral all over the world, if
5 you look at deciles 1, 2, 3, 4 and 5 actually, these are people who earn from up from about R20 to R30 000 per year, the group just under tax and then the group up to about R100 000. They just do not get through the system they do not get through the school system and they do not qualify for University.

10 So now if you give subsidies for free higher education then it is the lot on the right who is going to get the subsidy. Deciles 8, 9 and 10, the people who earns over R200 000, R300 000 and more because the subsidy is going to go to them because they go to University ...[intervenes]

15 JUDGE: ...[inaudible] the problem has to be answered at a much earlier level that treasury education.

DR. N. CLOETE: Exactly, ja. So it is not that the University, the only thing you can blame the University for there is how poorly they trained teachers. But the point is that we have to improve the school system
20 but, but it is also a global thing if you go and look in England - if you look in the US - you will see exactly the same pattern. Poor people do not get, like we saw in that big study in the US only 10 percent but it is higher than our a bit, but only 10 percent get to the point where they can go to University. The group that is important for you is that red group,
25 those are students who have actually qualify for University but are not

going to University.

So there is the question, is it because they do not have money, is it a cultural capital issue but in terms of looking at numbers and people - it is actually in the first 3 or 4 deciles it is not a lot of students. But then
5 the missing middle is that group of deciles 7, deciles 6, 7 and 8 those are the parents R300 000 to R500 000.

FEMALE SPEAKER: Sorry, I wanted to understand that what is the deciles, 1, 2, 3?

DR. N. CLOETE: These are the people who earn under R30 000 or do
10 not pay tax and then it sort of going up after deciles 4 they start earning roundabout R100 000 and then it goes up to deciles 7 is about R200 000 to R300 000. Then deciles 10 is the four percent that earns more than R500 000, so these are the poor and they actually and the problem with deciles 4 to about 6 and 7 is what we called the missing middle. Those
15 are people that earning roundabout 150 or 120 to about 200 to R250 000. These are nurses, police people, even some lower level teachers etcetera.

In our South African debate there has been an enormous amount of emphasis on the poor and you do find that middle class students used
20 the poor, they want something for the poor while they also know that they going to benefit from it which is of course a global phenomenon. But it is actually the middleclass globally - University's were build for the middle - initially for the elite and now for the middle class. It is the middle class that goes to the University the 70, 80 percent, 60, 70, 80
25 percent in many countries who now, and they much more successful

than poor students. Because they got more cultural capital, they have been to better schools, some of them have even gone to semi private schools.

If you want to build a society you have got to build this middle
5 class that was Obama big project remember, because they are the
people who ultimately pay tax and keep the system. When some of our
comrades say we must tax the rich ...[inaudible] I do not know how much
they earn but Patrice and all these people. The issue is if you take all
their money and you put it - it will just pay for two or three years but in
10 Norway 98 percent of people work, they get big salaries and they pay 50
percent tax. Consequence there is a huge pot of money that you can,
then they got oil and fish on top of that.

So the issue is it is this middle class that has to earn and pay tax
that is what fees systems work on in the world is the tax that the middle
15 class pay. So the more your middle class earn and the stronger you
middle class is the more, if can effect, in some cases, they keep the poor
down but in most cases it can go down and of course you will always
have the rich and those people. So when we have a situation like where
we have now where many of these nurses, the nurse that works with my
20 wife in this HIV clinic.

She has got a very bright daughter, two actually, but she cannot
afford more than one, so I say we have got our own China policy. In
China you only allowed to have one child in South Africa you can only
sent one child to University if you in that middle class. But the same
25 thing with this middle class is also going to get jobs, their success in the

job market is better than the poor. So there comes the debate about how do they pay back, do they contribute to higher education or do they not? Their success rate is higher and their chances of getting a job is higher and should they now get completely free education or should they
5 payback.

Then the question is when to they payback and how that is then the set of I do not know did any of you watch sky news last night sometimes in the middle of the night. They made a program called the regretful generation. The regretful generation is this first group of British
10 students after Thatcher who went onto the student loan scheme and had to pay back. They have now formed an association and they complaining bitterly, the once that they interviewed said well the jobs that I get was not as good as what they promise me. But of course he went to a University with a name that I never heard off - I mean if he came to
15 Oxford or Cambridge or somewhere else it would have been something different.

But they saying the paying back is killing them, they cannot buy a house, they cannot buy a proper car because they paying back all the time and they think in retrospect they should not have got to University.
20 So it was quite interesting now that we talking about it - I do not know if they still have it on. So we have to create a system ...[intervenes]

JUDGE: What is your comment on that?

DR. N. CLOETE: My comment is that we have got to create a system where, if people pay back the pay back must not be a burden that firstly
25 the burden is to big they default that is what you get. The Australians

has got a fantastic system in that sense where the initial payment – everybody go basically for free. Firstly if you get a job then you got to pay, if you do not get a job you do not pay back. If you leave the country then you got to pay back because you now got an education that you taking out. These whites in South Africa in the medical profession for instance got these top class educations at UCT and then went to Canada and other places after we had paid for that. So they – and then when they pay back when they get a job they pay a very small amount for the first 10 years ...[inaudible] they got to get into it. The next 10 years they pay a bit more and they take like 30 and sometimes like even 40 years to pay off there and later on they pay more. Because after 40 years you now got a good job and you doing quite well then you do not have to pay – if we set up – that was a problem with ...[intervenes]

JUDGE: ...[inaudible] Australia system?

15 DR. N. CLOETE: That is the Australia system, ja, they have advise us – the same women – when we set up NSFAS – they did not want to take tax, the treasury did not want to take this on as tax collection because their system gets collected through the tax.

FEMALE SPEAKER: Mr Cloete, I heard on the radio coming here
20 somebody make an example with the Uganda system where everybody can just get into varsity if maybe there scare skills or their marks are high up but not on the basis of none payment, are you familiar with that?

DR. N. CLOETE: Which system?

FEMALE SPEAKER: Uganda.

25 DR. N. CLOETE: Yes.

FEMALE SPEAKER: Do you know about it?

DR. N. CLOETE: Uganda system?

FEMALE SPEAKER: Yes, Uganda system.

DR. N. CLOETE: Yes, I was there last week.

5 FEMALE SPEAKER: Okay.

DR. N. CLOETE: It is a terrible system I will tell you now.

FEMALE SPEAKER: Is it, okay.

DR. N. CLOETE: I do not know who was talking on the radio. If you on
the elite and you go to the two public institutions but then you get a poor
10 quality education – but nevertheless then you can go for free. They have
got a huge unemployment problem because of quality of skills but just to
move on from this point. The big thing is if one wants some kind of
contribution back from the students one has to make sure that this
contribution does not put a burden on them so that they try and escape
15 it. That is what we did with NSFAS we asked to much payback right up
front, it should have been – but to do that you have actually have to have
economy that is quite stable and you do not mind long term payback, 10
years, 15 years. Why must you payback your student loan within 5 years
or 8 years or something?

20 JUDGE: Well might I ask you, it is probably not the appropriate time to
talk about what system is the most favourable but at some future stage
when we reach the appropriate set would you or somebody else be
prepared to come and talk about the Australian system and tell us what
the advantages and disadvantages is of that system and to what extend

could it be applied in this country.

DR. N. CLOETE: Yes, but that comes back and I do not want to be negative, you have, it does come back to the economy and how the system works but it will be important. I know a lot of people that work
5 ...[inaudible] in the world we could probably organise something because that will actually be quite interesting that they can tell you what are the advantage. Because when you read about it, it is always, the put on the good side, like the British their system is good but I mean now you see the students are complaining.

10 Yes, there is quite a bit of international literature on the different system and return to these – what the problems are with these systems. Just to give you an example one of the things that the students and the DBC quote is Sweden. There was a report last, two three weeks ago that the Swedish, students in the Swedish system has got more dept
15 than the American system. How is it possible it is free, it is only the tuition fee that is free the students have to – there is no accommodations you got to stay in the city, you got to pay everything for yourself.

You have to pay for everything else that you do so these students borrow large amounts of money over four or five years at the
20 University for these others costs. While we provide hostels, we provide other supports, so we also when we call a fee a fee we have to look at how wide is this fee or how narrow is this fee, that is another discussion. Can we – now the last bit, the trilemma of trade offs – we cannot keep on talking about that we want this and then we want that and then we want
25 that. We really have to develop, to get to a system to say if I want this

what am I prepared to trade off on that side?

In the international literature on this, this is the triangle on the one hand is public investment, the other hand is enrolment actually we should rather talk of graduation. What portion of the population do you
5 want to graduate and then what is the private costs and who pays the private costs. The student, the business etcetera and how you organise that effects inequality and economic growth. Let me give you one example from this German group who has done a lot of work on this.

If you spend a lot of public money in South Africa for instance, if
10 you spend a lot of public money and you increase the – on vocational education – and you increase the enrolment in vocational education. You lower the private costs on vocational education actually this Biesemeyer[?] said to me if there is one thing he want free – free education on vocational education. Because what vocational education
15 does is, it addresses inequality much better than university system. Many more of the poor can get more directly and easily into vocational education and vocational education has got a more direct link to economic growth than high education which has got a more indirect link.

So different countries balance these things and I got a few
20 example there that I will show you, actually if you go on to page 28, another one, there. There you can see how different systems – in the British system for instance public investment is medium, enrolment is about forty now and what they have done with private costs. With their system where they now got to pay back after University they charge high
25 fees 9000 pounds by twenty is R180 000.00. What that does is it make it

cheep for British students but for foreign students you would pay R180 000.00 now, if you want to study in the UK.

That has actually contributed to thing of getting student from the rest of Africa coming to South Africa for PHD's, a PHD in South Africa is
5 three times cheaper than in the UK and five times to six times cheaper than in the US. If you go to a good University why not come here. So again but in this case they collecting money from foreign students, we have not look at that too. Should be not charge our student from the rest of Africa more, should they just come for this same bursary, same
10 amount, I mean that is also something.

China I will go back to now and show you in China everything is high, the government puts 3 percent of GGP into it, the enrolment is high and the private costs is high. The students have to pay but I will show you, they have a system that they deal with. In South Africa we have got
15 this thing of medium enrolment and medium to high private costs and in the African system everything is low. Low public investment, low enrolment and low private costs so and that leads to a different kind of system.

If we go back to the previous slide to China, the ANC says we
20 must go and learn from China, I think a bit of Chinese discipline will help us all. Look this is – we had a Chinese student who wrote the best presentation I have ever read in Oslo about this. When they had the Tenement square uprising and the Chinese put them – the students they put them down seriously as we know. They realise that they got a
25 problem they did not just suppress them and the students went away and

is it not strange to people that there has been virtually no student uprising or student problems in China in the last 20 years.

They decided that they must incorporate higher education into the development project of China and that ...[inaudible] he came with
5 this thing that higher education enrolment ...[inaudible] measure that statement. It stimulates consumption of course students spend money I mean you spend money on high education students also spend money on it and satisfies a political demand. So what did they do, they pump money into higher education, they build enormous numbers of
10 University's.

But they set up loan scheme for poor students in a very clever way by setting up credit cooperatives, regional credit cooperatives where the middle class would pay – would get one or two percent more if they put their money in that bank than in an ordinary bank. So they gave the
15 middle class an incentive to invest in education and the poor borrow from them and the whole system is run by the Chinese development bank which is one of the big banks in the world. But it is not a commercial bank it is actually a development bank, it is actually put in place for development projects and high education is one of them.

20 Then they said we want – that is where the Shanghai rating came from they actually wanted to know what is a good University and there is a lot of controversy about it etcetera. But they said, they then identified 30 University's which has now come down to about 20 which must be world class. So they pump billions into those institutions and
25 those institutions class has got to be English – everybody got to right

English – that is what we saw in that ranking where South Africa has got three in the top 12. China has got six and China has now got two or three of the top 100 University's in the world.

So what they did is they build a huge expansion, it is the fastest
5 expansion of high education in the history of human kind. Just in terms of PHD's they increase their PHD's from 18 000 to 50 000 in 20 years and they now insisting that they must do it in English increasingly. So if those PHD's come out there with English they going to completely disturb the world high level market for PHD's which is just one thing. But
10 the point is it is a differentiate system, they said we must have lots of places for poor kids where they get poor quality but they are in education, they are in some kind of a further education.

The way they ran it was with loans no free education, you got to borrow and you got to pay back and they did not take the money from
15 the state they actually created something where people could invest in it. So it was a payoff all around so it is a completely different system than anywhere else in the world actually. In contrast I am not going to dwell on it ...[intervenes]

FEMALE SPEAKER: Uganda ...[intervenes]

20 DR. N. CLOETE: Here is your Uganda system.

FEMALE SPEAKER: Yes, no I wanted to check because I remember the scale you had previously about the graduates, that 10 to 15 year
25 repay? do you have any research on that? On who is qualifying as a graduate, the one's who went back to the work force and their ability to

DR. N. CLOETE: Where?

FEMALE SPEAKER: In China, I am no longer in Uganda.

DR. N. CLOETE: No, no but that could be something to find out and of course the trade off which I did not say here on this triangle. The trade
5 off is this high education system has increase inequality in China, it is part of what is driven in their inequality but it is driven like 200 million people into the middle class. A lot of the poor people has stayed behind so there is a payoff, it is not that all the Chinese has benefited from the system. But they have a massive expansion and it drove that 6, 7, 8
10 percent economic growth of theirs, they are now beginning to ...[inaudible] economic slowing down.

It is going to be interesting to see how they dealing with it then and whether they going to have jobs for all these PHD's that they producing. But the point is I do not thing they worry those PHD's is
15 going to the rest of the world they not going to stay there, they already in different African places. Just briefly our African system is really a problem in the sense that we crated after independence these public institutions. The flagships as I call them Miserere, Lagos, Nairobi, but they were based on this old British module of a small group of students
20 free.

They even gave the money health insurance, transport, personal needs, etcetera but by 2008 Mandami wrote that this was actually, Macarere was a high school, it was not a University. It was a commercial college, they not producing any PHD's they were not
25 publishing they were just turning out students who were increasingly

struggling to get employment. But Langa the guy from Mozambique and Omar from Kenya we have done a report on this.

The problem is if you have a small group of people who go for free to public education, the University, it is a good University it is the best University in the country, it is not a good University globally but it is the best University in the country. Comes again the issue you can only have small number, you cannot masiffy you can only have, Macarere still has about 25 000 students now. So who gets into those public institution, the children of the elite, the new political and business elite because their children goes to private schools or good schools. The head of the Swiss system said to me you cannot talk about free high education if you do not have free schooling.

If you pay for primary or secondary school now suddenly you do not have to pay for University, how is this going to work because it then pushes out the poor kids that goes to poor schools. So what is happening in Uganda now is, they now got something like 35 or something. Mozambique has got 30 higher education institutions, they have got like 35 or something, Mozambique has got 30 higher education institutions. They are absolutely useless, they should never be called a university, but you pay for them. So the poor is paying for poor quality institutions. The children of the elite is going to these two or three public institutions which is for free, and the top elite children is going to South Africa, and the real top goes to America and those places.

But the reason that they are stuck there is that the political elite in particular, their children go there, and so they do not want to pay fees.

So the issue is they are resisting fees. But in these University's now, as I say, in these three University's in the last two weeks, they are all talking about, we must push for fees, and then the minister of education in Uganda said, but South Africa is backing off fees, we cannot, it is too
5 politically touchy, etcetera.

That is the simple system that will happen here if we have like 20, even if we take our 20 and we can afford - remember these countries only have three or four public institutions that are free. They do not have a lot. The students who go there are the students who do better at
10 school, who come from better schools, and then for this whole other post-school thing we are going to have students who have to actually pay for poor quality education.

So Africa really does not give us a good example in that. But they are looking at us, and I think how we do it here is going to actually have
15 a ripple effect in Africa. So I think it is very interesting.

FEMALE SPEAKER: ...[inaudible] how long have they had that system?
Is it in ...[intervenes]

DR. N. CLOETE: You know, from the 60's, late 50's, 60's. 30, 40 years. In the post-independence. It was the post-independence was, you must
20 have a university, and so these, that what the English did, the French did not even bother about that for a while, but at least the English helped and made sure that there were one good university and then that was the flagship, and all the others were sort-of, you knew, grew after that.

So ja. But as I say, and then came this World Bank thing that said
25 that they should not, that ...[inaudible] put money in primary education,

so they had even less, so those institutions even shrunk. But the main thing is that those institutions now cannot get into this knowledge production, into research and PHD's etcetera, because they have got too many students, and what the staff is doing, they do not want to supervise
5 PHD's, because they - so what Macarere did and Nairobi to income, they started a dual system, in the morning is free, in the evening you have got to pay.

So in the morning comes the real elite, the young smart elite, and then in the evening comes the second lot that did not get in. But now the
10 academics teach in the morning, and they get paid to teach in the evening. So they actually teach twice, and then, like in Nairobi, they go and build a private university, right opposite the gate of the University of Nairobi, so the lecturers just walk from the public university to the private university to go and teach there. So some of them teach three times a
15 day, and get paid three times in different places.

So these academics cannot do research. They cannot. They get no money for supervising a PHD. So the incentive system for the higher education which is linked to the fee system is very important.

Finally ...[intervenes]

20 FEMALE SPEAKER: Doctor, before you carry on, can I ask a question please? Just a step back. Have you looked at the differences in fees between high school and University's, and for University's I am just talking about the tuition portion, so minus accommodation and what have you, is there a big difference in South Africa?

25 DR. N. CLOETE: Yes, of course.

FEMALE SPEAKER: Ja.

DR. N. CLOETE: Ja.

FEMALE SPEAKER: Just the tuition fee portion of it, without accommodation, there is a big gap still?

5 DR. N. CLOETE: You know, they say you cannot control your children. My daughter, who is very successful has sent her child to a private school in Grahamstown, against all my advice. It is R120 000.00 fees, and it is another R120 000.00 or R130 00.00 - it is R250 000.00 or R270 000.00 a year. So she now becomes like these other people at
10 UCT, the rich parents say, hey this child must now finish Bishops man, because the fee at UCT is half. At Bishops down the road from UCT the fee is at R90 000.00 and UCT is R50 000.00. So it is a bizarre situation that you have these private schools, which are not world class, and you have a world class university like UCT where the fees are half, and that
15 is my problem that I will end off, with the rich. How do we deal with that?

Okay, very quickly. I do think we need a differentiated fee system, that is my sort-of thing. You cannot have a one - and I know in South Africa you are either white or black or you are this or that, we like these binary systems, but we have got a higher education system that is
20 already differentiated, and we also have a differentiated group that goes to them. So I think we have to look at different ways of doing it, we cannot just have - well I do not know - ja, in a place like England everybody would just, you have to pay the 9000 pounds and then when you work you have got to pay back. But the assumption there is that you
25 are going to work.

But in South Africa I do not think if we do, if we do that we are going to have even a reduction in poor, poor students. So I think this current proposal by Derick Swarts for, that was by a DHET group, of - I do not want to call it free, but subsidised education for the poor, or grants
5 for the poor is definitely something that we will have to look at. The debate is mainly for me, where are you going to draw the line for the poor? If people earn under R150 000.00, R180 000.00. We are going to have to have some kind of a system where we do not charge them fees, and then we got to look at accommodation.

10 I mean you do not need a NSFAS for that. I mean the University's can just exempt people if you earn less than a certain thing, you do not have to collect fees. The money do not have to go to NSFAS and then go to university.

JUDGE: Doctor, just on that aspect, we have a situation like post- 1994
15 that you have rural people coming to the cities, it would appear to me to be a similar situation in respect of University's, that you have University's, like University of Johannesburg, WITS, Stellenbosch, UCT, where the rural person will leave home where there is a university because of the status of the university in the city or the suburb. How do
20 we get out of that mindset and would that, getting out of that particular mindset address the issue of access and success in the higher education system?

DR. N. CLOETE: You know it is again, you say the status issue. Let me tell you what NSFAS did, which we never thought about when we
25 proposed it, because there was debates of how this was going to work,

but telling a student that if the student get into a university, any university, the student will be subsidised, what happened? The students who would have - the good students who would have gone for there shot off to UCT. Not only that UCT was under pressure, so they hired the
5 best black academics.

So in the post - nobody has written much about that, in the post-1994 period there was a huge movement of the smartest students and the smartest lecturers to the top University's. But there was not a big pool so there was not enough, but nevertheless. One could have had a
10 scheme that they have to study at their closest institution, or given the money to the institution and then the institution attract students and pay them more.

I mean actually we went into the ridiculous situation where it was much cheaper for a family in Transkei for their child to go to UCT.
15 Because what ...[inaudible] did is, they took the money and they divided it amongst everybody who qualified, remember that system? So it means everybody was short. But at UCT, if you were a black student and you were poor they top you up. So actually the cost to a family was much less for a student going to UCT than to go to Ford Hare, and that is
20 the inequality of the system.

It is going to be very difficult to - because also, you know, you want to send your child to the best university. As long as there is the status difference, which there is going to be, and which there is worldwide, but you have to think of, in some cases you can have
25 incentive systems where those institutions can be given funds or

something, to attract special students or special lecturers, but with a blanket kind of a system it would not help.

JUDGE: ...[inaudible] has NSFAS never stipulated the university which is to be attended?

5 DR. N. CLOETE: Not as far as I know. No. The students would apply, the university would then take that and apply and then they would see who they have. So they would now - NSFAS is now talking about Sizwe and Company about this thing where they want to only give bursaries in certain skill shortage areas. The academics are hugely worked up about
10 this. They say this is now central planning, technising [?] education.

But I mean, you know, under the old "white" system. I mean I went to university on a teacher's bursary. I was not really interested in teaching, but that is what there was for a white kid whose parents could not afford it. Then I had to teach four years and when I went to
15 university the university had to take it out.

So I think one really has to look at, both in terms of distribution of students, but particularly in which areas. This thing of just giving money to everybody that qualify has really not helped the economy. So in terms of actually getting assistance - now of course the humanities and
20 theology and those sociology they will complain bitterly about this, but one will have to see how one can do that, these University's also cross-subsidise them. So they do take money that they make profit from in the medical school and pass some of it on to social sciences. But that will be an issue.

25 But I think the biggest thing is just, in terms of the poor students,

is that a, this thing of getting them to pay back immediately after they qualify is a real distract, is something that is negative for poor students. So we will have to think about giving them a special deal, or actually giving them no fees.

5 JUDGE: But the British system, about which the students have been complaining, such that they have to repay from the moment they ...[intervenes]

DR. N. CLOETE: Ja, from the ...[intervenes]

JUDGE: From the moment they leave university.

10 DR. N. CLOETE: First month's salary or something, ja.

JUDGE: Irrespective of the amount of the salary?

DR. N. CLOETE: No, no, they vary the amounts I think. What is very nice about the Australian system is that actually the payback is linked to how much you earn. So if you get a good job and you earn a lot of
15 money then you actually pay back much quicker. But if you get a low-level job then you take a long time.

But those things needs a national system like treasury to actually manage it. Which we will have to think about. But there is ...[intervenes]

FEMALE SPEAKER: Dr Cloete, can I just ask a question. You are
20 suggesting a differentiated fee structure for University's, but are you also ...[intervenes]

DR. N. CLOETE: For all of higher education.

FEMALE SPEAKER: For all of higher education. But are you also suggesting that NSFAS adopts a differentiated structure, that poor

students who are NSFAS are given bursaries whereas the, slightly the more middle students are going on a contingency loan system?

DR. N. CLOETE: Absolutely, that was part of our problem in the past, that we treated them all the same. So that is one decision. But it cannot
5 be totally free. You know, in Germany at one stage the average time that the students spend at university was ten years. It was free, the university is free, why would you leave university? The university is a fantastic place. So you have got to put pressure on them to finish, or you have got to have a limit and say you must now finish and as I say, I
10 think we even need to look at some kind of social support.

So there must be some commitment from the student's side. But as you saw from the graph of mine. I mean, these are small numbers of students actually. Where the larger numbers are in, is in this middle group. The poor, that actually qualify to go to university, and will get
15 through the entrance tests of the good University's, there is actually a very small number, probably under 20000.

FEMALE SPEAKER: I just want to check, on the repayment, does it include the employment at the loan giver, for a lack of a better word, at the loan granter, where you have to work certain years. Is that catered
20 for in the research? If there is a possibility.

DR. N. CLOETE: How do you mean work seven years? Sorry?

FEMALE SPEAKER: I remember when you get a loan or a bursary, and then maybe instead of repayment you work for equal years that, you know, for the value of the bursary?

25 DR. N. CLOETE: No, I do not know.

FEMALE SPEAKER: I know the international labour frowns about it, but I thought maybe you stumbled.

DR. N. CLOETE: No, no ...[intervenes]

JUDGE: Doctor it is like you. You had a bursary for teaching, you went
5 to teach for four years, which then cancelled off that bursary.

DR. N. CLOETE: Yes, yes, yes.

JUDGE: That is the system she is talking about of the company.

DR. N. CLOETE: But they kicked me out after one year, because they
did not want ...[inaudible] religious studies, so then I got into a university,
10 and then the university had to pay. The university had to pay a certain
fee to the fund. So if you change employers, it was not that you were
fixed there. There may be something in the old system.

The middle system is the really complicated one, because there
are different middle classes. There is not a middle class. There is a
15 lower middle class, there is a middle, middle class and then there is,
what the economists call the affluent middle class, and as we talked
previously already, if you go over R150 000.00 then you start getting to
the lower end of the middle class. But I think this is simply the group
where we will have to think of some ways of recovering some money
20 back into the higher education system.

If you take fees from this group, and by fees I now mean, I do not
mean you got to pay on the first day, it means you can pay for many
years. Actually there is a guy that I worked with in Austria. He has made
a proposal to the OECD, that you only pay close to retirement, after 55.
25 Firstly university educated people live five to ten years longer than

people who do not go to university. I do not know if you do not know that.

So his proposal ...[intervenes]

JUDGE: That is probably in Europe and the other countries.

5 DR. N. CLOETE: Okay, well you think ...[inaudible] I wonder still. Yes, again it depends on the system. But if you have a group that postpones their pension, they do not start drawing the state pension money for five years, and in the last five years of working, when they are earning the most money that they have ever earned. He has worked out a formula
10 that they can pay off their university fees plus interest.

So there is really very different ways in which one - but again it depends on the economy, and whether the system can do it. For all these payback systems you need three things. First you need a high pass rate. If you have our system of 45 percent students never
15 complete, your system is in trouble, because who is going to pay for them, and if they do not get jobs in the South African System without completing, or otherwise they are going to have people, they can actually have very low-level jobs and they are going to have debt, which is, I suppose, happened to some of the British kids.

20 The second system is, you must get a job. Which we know from our data they do. Still the return to higher education is very high. There is a small group of students that do not get jobs, that you see sometimes in the newspaper, etcetera. There is always a problem somewhere around there.

25 JUDGE: ...[inaudible].

DR. N. CLOETE: You know, the Americans regard full employment as 4 percent unemployment. Because they say 4 percent of the population is incapable of working, they just do not work. So there is already a percentage there, there is always a certain percentage that even if they
5 got a degree they would not get a job. But then - what was I now saying about it.

FEMALE SPEAKER: ...[inaudible].

DR. N. CLOETE: Oh yes, and then the third one is of course that you have to have a tax system that can collect it. Which we do have. We
10 have got a good tax system. We have got a world-class tax system in developing countries.

So we actually have one condition. The other condition is, almost two conditions, the third condition is this, is the problem, is this thing that 50 percent of them do not complete. So that is why I say that when we
15 look at the funding system we really have to look at the undergraduate system of the university too, there has to be some change there. Then we can run a system like that.

If you look at the 31, you can see what happened to NSFAS there, this comes from the treasury. As you may know, I wrote something that
20 the Department was very upset about, but in 2009 was when the minister deployed a comrade from the communist party to take over the head of NSFAS, who promptly in East European style got rid of a number of the experts, and it shows a dramatic, it shows what happened, and this has actually been ...[intervenes]

25 JUDGE: ...[inaudible]?

DR. N. CLOETE: She, she got rid of the experts in NSFAS, because they were not transforming fast enough. So it was employment, ...[inaudible] employment. So she started bringing in unskilled people, and they had a problem, they changed the condition so that the tax
5 collection could not, agree that the collection changed. So - but I am a bit unfair, because that was also when the economic crises came. So it was a combination of a change at the top and the economic crises. Which then led to this dramatic collapse in recurring fees, getting money back.

FEMALE SPEAKER: I wanted to ask if TEFSA, where was TEFSA at
10 this time? Did it close and then NSFAS - because we grew up around TEFSA days?

DR. N. CLOETE: No, no, TEFSA was before? TEFSA was, ja, NSFAS took over from TEFSA, which did not exist anymore.

FEMALE SPEAKER: I am just trying to establish if the debtors were
15 from TEFSA or they were from NSFAS and what was the source of funding ...[intervenes]

DR. N. CLOETE: This is NSFAS - ja, no, no, TEFSA was before 98, this was established in 1998.

FEMALE SPEAKER: Is it a different source of funding? That funded
20 TEFSA and what funded NSFAS?

DR. N. CLOETE: Ja, ja ...[intervenes]

COMMISSIONER ALLY: Maybe I can help a little bit. TEFSA was established by enlarge with donor funding over the years, before 1994 and around 1995, 96 there were developments and in 1999 legislation
25 was passed to form NSFAS and the government took over and a lot of

donor funding disappeared because we were on our own. So this is strictly NSFAS.

FEMALE SPEAKER; ...[inaudible] source of funding excludes the donor funds from TEFSA? On NSFAS?

5 COMMISSIONER ALLY: Ja, bits and pieces there, but very insignificant.

DR. N. CLOETE: ...[inaudible] this is a problem, in the sense that, you know that the new head of NSFAS is a banker, and I think it is a very good thing that there is somebody there that was not ...[inaudible] deployment, this is a chap that ran a big bank, and knows about banking.

10 JUDGE: ...[inaudible].

DR. N. CLOETE: Year, year and a half. Sizwe, when was he appointed? Ja, a year, and what he has done is, he has pulled in people from different banks to actually assist him. So the whole structure of NSFAS has changed. It has expanded.

15 What happened was three things. Appointing a new person who had no experience, the financial problem, and suddenly huge amounts, NSFAS's money tripled over three years. So suddenly they were dealing with R7, R8 billion, where they have been dealing with R1 or R2 billion. So it was like, it was a major disaster, you could not manage a system
20 with all this money and inexperienced people. So he has come and stabilised the system and he is now, I am sure he is going to present his, he has got certain proposals.

The issue was, in the US and other places they used the banks. The students borrowed money from the banks. But the students loan in
25 US is now, for University's is more than a housing loan and some

economists are saying that there is, the next financial collapse is going to be driven by that. But what the Obama Administration did, with some support from the Republicans, which was about the only time they did, was they actually got rid of the banks and went back to a kind of an
5 NSFAS system, a national system.

Because what they found from the banks is the banks are very good at collecting money, we know that, but they are very expensive, so they charge a lot. So they found that they could have like a million students more on a scheme for the same money if they did not pay the
10 fees to the bank. They could do it cheaper. Now the question is, can they?

But the point is - so we will now have to see, I think with the new NSFAS and all the bankers there, what is the role of the banks going to be. I think you should keep your eye on that. On the one hand, it is very
15 good that there is bankers with financial experience and know how money works, on the other hand, one will have to see whether the banks are going to make a deal out of this, and is it going to be a bad deal or a good deal. So it will be very interesting to see what they are going to do. But at least there is a lot more competence now.

20 JUDGE: Can I just ask you, as somebody who has no experience of this at all. What is the advantage of running a loan scheme through an entity like NSFAS, rather than making it available through the national treasury directly? So that your national treasury not only advises the money but also recovers it through the tax system?

25 DR. N. CLOETE: You know, I think that is something you should talk

about. I mean I know the guy that headed the treasury for many years. When we went - you know, this thing of asking a special deal for higher education, like fees or tax collection through treasury, when we went to treasury in 1995 on some special deal for higher education for redress
5 funding for the institutions. Treasury said to us, if we make any exception for a particular interest group, the next thing is going to be, you will want tax reduction on books, then some other interest group will come with another interest.

So treasury did not - it was not a capacity matter, they just said
10 they did not want to open the floodgate of special interest groups for whom they had to make special concessions. So then when we asked them about, could they not run this thing they said no, they did not have the capacity. But I think it is a question that can now be raised, and particularly, I mean like the Australian system, and there is a number of
15 other systems, where the collection of the money comes from the tax system.

This thing that NSFAS has got a huge unit that is now going to have to - actually they have started collecting money via, from public servants. You know, there is two groups who do not pay. The one is the
20 poor students who failed who has got no money, and then there is a bunch of fat-cats in government who gets huge salaries, who are also not paying because they say the poor is not paying?

So Sizwe has now found a way of identifying people in the civil service who has actually had NSFAS and they are beginning to collect
25 money from them, but I am not quite sure whether that is coming

through the tax system. They identified them through the tax system, I think. But I do not think the treasury is actually involved in it. I think it will be a very interesting question to raise if the treasury could not do it.

Fine ...[intervenes]

- 5 FEMALE SPEAKER: Just on that Prof, are you saying, was it not an impediment this usury Act that interest, it should not interest the capital debt once the repayment has started, and then a lot of debts were written off. I know with TEFSA, is that not what happened?

DR. N. CLOETE: No.

- 10 FEMALE SPEAKER: So how far back can you collect now?

DR. N. CLOETE: No, I do not know what they have decided. But I mean there was a lot - a lot of this bail-out money actually went to just writing off debt. Because some of these University's were sitting - I mean in total it was like R15 billion of debt collectively amongst the University's, and the university is sitting on an accounting system that was designed
15 in 1983, a basic accounting model where they report back. Which is a business model.

What the University's did was, they reported, like in a business debt, as an asset, Professor, you know. So this crises partially
20 happened because the University's put on their balance sheet assets, which was student debt, but they were never going to collect it, but their balance books looked quite fine. We are telling them, you are not going to collect, you cannot do this under like NGO bookkeeping or other bookkeeping systems, you cannot actually put those things as assets.
25 You have got to put them as something that you may never recover.

So that partially drove this crises that these debts were increasing, and that is, a lot of the bail-out money has gone to offset some of those problems, which will now have to start again.

My second-last point quickly, I see we are going for 13:00, is the
5 rich. The idea of getting the rich to pay more tax is not working
anywhere in the world. The rich knows how to - they are rich partially
because they are crooks, and they know how to give the money away.
They have got lawyers and they have got accountants and they know
what to do with their money and ...[intervenes]

10 JUDGE: ...[inaudible].

DR. N. CLOETE: No, no. I think the rich simply has to pay more tax in
the tax scheme, but to go and say that you are now going to target
Ramaphosa and Motsepe, they must pay a special levy for higher
education just because they are a billionaire or something like that. I do
15 not think that ...[intervenes]

JUDGE: ...[inaudible]. Supposing there was a levy on all persons who
had a gross income of, above a million rand, that sort of thing. Would it
not conceivable that it would work, or do you think that it is just not
feasible?

20 DR. N. CLOETE: I do not know. I do not know of any system anywhere
in the world that does that. I will actually try and find out about it.

JUDGE: Is that not because the rich tend to find deductions?

DR. N. CLOETE: Yes.

JUDGE: Well that is the point. If you levy it on gross, it does not matter

what your deductions are.

DR. N. CLOETE: That is one thing, you know, there has, some discussion started between University South Africa and a huge BEE conglomerate about looking at the possibility of BEE companies funding particular kinds of students and particular kinds of courses in higher education and getting a deduction for it. So Adam Habib and Ahmed Baba are actually talking to some big business conglomerate about that, and I think that is an interesting thing to look at, how can business as a group contribute to this, rather than targeting ...[intervenes]

10 JUDGE: Alright.

DR. N. CLOETE: You know, to me the other side is, why not let them pay more?

JUDGE: As fees, you mean?

DR. N. CLOETE: Ja, as fees. I mean Fourie has got a thing of R15 000.00 for the poor and R150 000.00. R150 000.00 is still a little for somebody who earns a million or R500 000.00. So there is not a lot of countries where - Italy is the gate country where fees is totally determined by your income. They have got different brackets and you pay according to how much you earn.

20 JUDGE: Well you will have the same problem, do you not? If you can hide the money in the tax system then you can hide the money ...[inaudible].

DR. N. CLOETE: ...[inaudible] in the university ...[inaudible] too yes, yes. I mean it is not going to be easy, but I think that, you know, if we want to address inequality, if you have a system where people who earn

over R500 000.00, you know, if I pay R50 000.00 for my daughter, that is 10 percent of my salary. But if a nurse who earns R200 000.00 pays R50 000.00, that is 25 percent of her salary. You are just perpetuating the inequality in that way, apart from other subsidies.

5 So I do think we need to ask for ways in which we can in this unequal society.

JUDGE: Well, why should this levy on the rich, let us put it that way, not be used as an intermediate means of funding the system until the repayments kick in.

10 DR. N. CLOETE: Ja well I think those - I think those are all options that you should talk to these treasury guys about, and whether they are right, and whether, because they will have to implement it.

JUDGE: Yes.

DR. N. CLOETE: And I want to come to them in my final. Political. You
15 know the issue is, we did this big study on countries who was successful on linking higher education to economic development. Finland, Korea, North Carolina and a few others, and one common thing that they all had is that they had a pact. There was an agreement in the country about the function of higher education and the role that it can play.

20 As long as we have in South Africa this thing where people have different functions, where either it is a mobility to get out of poverty or you must, it is actually just a way of cementing the middle class, or we must also do some development stuff. There has to be some discussion at government and university level about saying okay, these are the
25 things that we can agree on. Because you cannot implement any, or

very few of these systems if you do not have broader agreement and
...[intervenes]

JUDGE: Has there been, in South Africa, has there been any attempt to
coordinate such discussion?

5 DR. N. CLOETE: We have talked about it, we have written about it and I
make a recommendation at the end, because particularly. I mean
Brown, this Brown guy has done a big international study and showing
that the successful knowledge economic countries have all got these
connected policies, where higher education policy talks to finance policy,
10 who talks to other kinds of policy, so that the one does not contradict the
other.

In South Africa, I have spoken to at least four groups who are
working on this fees issue, at least four, and there may even be more.
They are not talking to each other. When I asked somebody in treasury
15 and I said, what about the DHET, and why do you not put a joint group
together. He says, no we have got the money, they can come and talk to
us, why should we talk to them. I said, but you know, it is not going to
work like that, and then there is another group and then there is another
group.

20 I have been talking to Makgoba, who, I mean, I have known for 30
years who is now the convener of the national planning commission, and
I frankly do not think that the DHET for instance, has got the capacity.
They may have the will, they do not have the capacity to manage
something like this, getting the groups together, because these are
25 competing departments, treasury, higher education, science and

technology, etcetera.

So I do think you need to think about a group that stands a bit above them, but beyond them.

JUDGE: Such as what?

5 DR. N. CLOETE: I just say the national planning commission. It is supposed to coordinate and reports directly to the president. It has got an office in the presidency, and it has got the national - you know the national development plan, the failure of the national development plan has been exactly the problem that we are having here. They proposed a
10 set of new priorities, and the cabinet could not reprioritise the budget. They did not want to take from one department and give to another department to follow the suggestions of the national development plan.

So here we are going to have a similar problem if we do not get some kind of a coordinating body that looks at this. Just giving this, are
15 you reporting to the president or the minister? The president. Ja well, that is already a good start, and then perhaps the body that sits in his office should look at pulling the other ones together and see if you can come up, if you have a set of proposals or something.

The other thing is, if he want any particular technical knowledge of
20 international things you can contact me. I know lots of people around the world who we can get some stuff from. Ja.

JUDGE: Does that conclude what you have to present this morning?

DR. N. CLOETE: It is 13:00 ...[inaudible].

JUDGE: No, that is alright, it is no problem. Any questions Ms Pillay?

ADV. K. PILLAY SC: None from our side, Chair.

JUDGE: Dr Cloete, thank you very much for your input. I know an enormous amount of work and experience has gone into this. I think it possible that we may hear from you again later in the commission at a
5 different stage.

DR. N. CLOETE: Okay.

JUDGE: But as an overview and introduction to what we are dealing with, we are very grateful for that.

DR. N. CLOETE: Thank you, I enjoyed it, thanks.

10 JUDGE: Shall we take the lunch break?

ADV. K. PILLAY SC: Thank you Chair, yes.

JUDGE: We adjourn until; 14:00, thank you.

HEARING ADJOURNS

HEARING RESUMES

ADV. K. PILLAY SC: The next presenter is the Shosholoza Progressive
15 Party they are represented today by Dr Rasson the deputy Chairperson.

JUDGE: I am sorry I did not hear the name?

ADV. K. PILLAY SC: It is Doctor Rasson, RASSON.

JUDGE: Thank you,

ADV. K. PILLAY SC: He is the deputy Chairperson of the Shosholoza
20 Progressive Party.

JUDGE: Thank you.

ADV. K. PILLAY SC: Dr Rasson over to you.

DR R RASSON: Thank you and good afternoon everybody, Chairperson and commissioners my name is Dr Reynold Rasson I am the deputy

President of Shosholoza Progressive Party which is a new political party in South Africa, we consider ourselves leaders of the social democratic revolution and therefore free education is one of our key, key strategic areas that we want to advance in our new ideology of social democracy
5 for South Africa that is why I am here to present our vision and our views regarding the issue of tertiary education, we wish you good luck through your deliberations and hearings but before I start I want to highlight one very important fact that we think should be part of your deliberations.

We believe strongly that the reason why we are having so many
10 problems in this country is because we have a weak government, we have a weak government and this is exacerbated by the various factions within the ruling party and on that point I would like to highlight the one theory that is doing the rounds that is the fees must fall campaign was sponsored by one of the factions in the ruling party with the intention of
15 getting rid of the current minister of higher education, we do not know whether this is true or not but it will be of interest to us if the commission would try to look at this factor and try to establish whether there is any veracity in this theory that one of the factions sponsored the fees must fall.

20 Extending on that particular point Chairperson is the issue of governance, our government at the moment is so weak that at the drop of a hat it capitulates, you can have 50 people walking down Luthuli House demanding something and the government will capitulate, it is not only with the government itself, even the University's, the institutions of
25 higher learning were brought to a standstill by a handful of students, 200

students for example, look at Wits University were 25 000 students but 200 students brought the University to a halt, this is weak governance. Not only is it weak governance but it is also lack of democratic values in our organs of civil society.

5 How can a minority of students bring a whole institution representing 20 000 or 25 000 students to a halt and even burn some of the facilities in those institutions and the administration in the University's capitulated, they did not know what to do, it is lack of strong governance in the government itself and our institutions. That said, we
10 are not advocating a strong hand in dealing with the students, we strongly support the movement of fees must fall, it forms part of our objective, our philosophy as leaders of the social, democratic revolution, let me expatiate just a little, the social democratic revolution is an advanced form to the National Democratic Revolution that is led by the
15 African National Congress and its alliance partners.

We are advocating a philosophy which is advanced, more advanced than the National Democratic Revolution and it is premised on the pillar of reducing inequality and that is what makes us different from the NDR, we believe that the NDR is showing signs of failure, it is
20 cracking and all the contradictions that we had predicted from the very beginning are starting to show their ugly faces and one of which are the divisions and the weakness of the state, the current state led by the African National Congress. Coming to the issue of fees, it is our earnest belief that at the current juncture our country is not ready to provide free
25 education across the board, this will require a serious realignment at the

political level and at the socio economic levels.

Our viewpoint is that we have got to start somewhere, we support the move to provide free education, we also want to congratulate the ruling party for having done something for the Tvet sector through
5 NSFAS ...[intervenes]

JUDGE: Sorry through what?

DR R RASSON: The National Students Financial Assistance Scheme, NSFAS they call it, we think this can be extended and something more can be done for the University sector. Obviously we should understand
10 that the University sector is of the elite of this country and therefore it is correct to start with the sub elite in the Tvet sector and try to support those students because we know that they are very needy. But all said and done Chairperson we believe that there is sufficient resources in the sector and if we want to do some restructuring we need to begin an
15 interspection of the higher education sector itself, there is a lot of money in the sector and we believe that we can find resources there to begin a process of an advanced subsidy scheme for tertiary education, it is not a big bang theory, we do not think that you can achieve free tertiary education overnight, we think it is a phased process so one to suggest a
20 phase 1 should be an extended subsidy scheme to reduce the fees at tertiary level and to provide free education to those students who have undergone a needs assessment to establish that they cannot afford to pay for themselves and those could be then given free access to tertiary education.

25 COMMISSIONER KHUMALO: Just on that sir, can you just elaborate

what do you, the extent that subsidy scheme, is it a loan, is it from government, how do you presume?

DR R RASSON: In our view commissioner the subsidy would be a grant to reduce the fees but this will have to be done in a scaled manner
5 looking at the resources at the disposal of the state, the resources needed by each given student and then give that grant accordingly to reduce the requirements, the fee requirements for each given student. We also believe that there is a need for the tertiary sector to relook at the manner in which it provides education. In our view ...[intervenes]

10 ADV. K. PILLAY SC: Dr Rasson I am sorry to interrupt you, can I just find out, in terms of the means test that you proposing, what do you see as the cut off amount?

DR R RASSON: I would look at various levels, there is the missing middle that needs to be considered, we need to look at a figure for that.
15 We are looking at the real needy the poor, we need to look at a fee for that, I would say we must look at the CPI index, Consumer Production Index as a basis of establishing the cut off point, I think the statisticians and economists would be able to assist in that respect but it has got to be staggered as per the need of each group of students.

20 ADV. K. PILLAY SC: And do you contemplate different levels of assistance for the missing middle and for the poor?

DR R RASSON: Absolutely, that is what we are advocating yes, yes ma'am thank you, thank you for that. The tertiary sector I believe has not looked thoroughly at how best to provide the education that is so
25 much required. In this day and age of technology many, many subjects

provided by this institutions can be done off campus and can be done online, your humanity is some of your arts, a lot of other subjects can be done on line and then that is not impossible, you can do block release, you can do various means to limit contact with students and promote
5 studying at home through the internet and that would promote access to tertiary education and it would reduce the fees that students have to pay for this education so the restructuring at that level is very important as a starting point.

Again looking at the entire sector we believe that the Tvet sector
10 lots of money has been pumped into the Tvet sector, it is very needy, it is very necessary but we think that the government is throwing money at the problem, the government is throwing money at the problem without looking at what the real needs of the sector are. It baffles the mind that you have to spend three years at the Tvet college to come out as a
15 plumber, as a bricklayer, it really baffles the mind, we think that that could be done within a period of six months and the programs must be restructured to cut down the time and the turnaround periods that students spend at this colleges, three years is way too long to do some of the programs that the kids do at the Tvet colleges, it is because we
20 are trying to teach them everything instead of focusing on the specific skill that the particular student wants to get out and let them go in there do six months as a plumber get out.

Go and do an internship and then come back if you want to be a builder or a bricklayer for another six months, it has got to be staggered
25 you cannot do everything in the three year period because it brings forth

costs of accommodation, allowances and other resources that are necessary to promote this, the effect of the Tvet sector has not been tested and we doubtful that it is actually reaching the objectives for which it was set up.

5 COMMISSIONER ALLY: Professor if I may, in terms of your Tvet colleges and your plumbers and your mechanics and your bricklayers, you say that six months should be enough and they can go out, now if you recall the old system you taken up as an apprentice, your apprenticeship takes you through a certain number of years, you would
10 then write a trade test after that number of years and become an artisan and that particular system would give you layers of salary or income brackets as it were. Now the, what you are proposing how do you, you would get a guy come out, he comes up from whatever education system, does six months, how does he fall within those brackets of the
15 past or is this rethinking, a rethinking of that also?

DR R RASSON: Thank you for that commissioner, I think it is trying to manoeuvre between the past and the present, trying to cut the cost, obviously we fully support the artisan route as the proper route for skills development particularly for a Tvet sector but again we do not want to
20 make it as complicated as it was in the past, once you do your six months as a bricklayer you go and you do your internship for about maybe another six months, you should write a simple test and be certificated as an artisan but now you have to wait for 18 months to 24 months before, I think it is the nature of the system to try and protect
25 certain opportunities from people entering those levels by extending

periods and making it more difficult for the ordinary person to get up there.

I think we need to unbundle, we need to unbundle that and make it easier for people to compete and get out there and get the skills that they require. There are so many opportunities in this continent but our education system, our higher education system is stifling the growth of individuals to get into the sector and it is doing that at an immense cost to the taxpayer, we believe that two thirds of the resources that are ploughed into the Tvet sector can be released and redistributed accordingly to benefit the sector itself, the Tvet sector itself and maybe also the University sector, that that to be done in our view. Those are the two interventions that we would suggest but the starting point would be to phase the process and let people understand that as a developing country it is a huge cost to throw money at a problem as we currently doing, we need to have a structured approach, a systems approach to reform our tertiary education sector, unbundle it, simplify it and streamline it to benefit the people.

The other point that we are concerned about is are we taking too much of a bite that we cannot swallow, why are we introducing community colleges when the Tvet colleges are battling to survive, we believe that the community college initiative must be re-looked, our understanding is that the community college must be a community initiative not a government initiative. A community must set up a structure, invite the department to assist in establishing a community college and the community must run the community college with the

assistance of the department in terms of quality assurance.

In this way you are empowering the community to look at its own needs as a community, interact with the business community in that particular area and say to the business community you need mechanics, you need bricklayers let us use your training centre or let us use the Church to train these people, you fund the community college, it should not be as structured as the Minister currently wants to do it because this is going to increase the cost of the sector, let community colleges be run by communities, the department must just partner with those communities and assist in terms of quality control and quality assurance, we believe in doing that we can reduce the cost of tertiary education.

COMMISSIONER KHUMALO: Dr Rasson sorry to disturb you, I was just interested on your phase 1 the extended subsidy scheme how do you propose the funding comes from, is it as per the department allocation or do we seek an alternative?

DR R RASSON: Thank you commissioner, the point that I was trying to raise here is that let us look at resources within the sector, we believe that the sector has access to extensive resources within itself, the Seta's are sitting on lots of money, the national skills fund is sitting on a lot of money, the money that is expended in the University's and the Tvet colleges must be structured and must be checked carefully and we believe you can release two thirds of the budget and reallocated accordingly from the suggestions that we are making. The third point that I wanted to raise ...[intervenes]

ADV. K. PILLAY SC: Dr Rasson before you go onto your third point if I

can just ask you about your submission on community colleges and to understand your submission that there should be no state funding for community colleges. If we understand that there is a right, that adults have a right to basic education and the purpose of the community college program is to ensure that those adults who were previously deprived of a basic education now have access to basic education, in that context why is it that the state should not fund community colleges?

DR R RASSON: I was looking at community colleges as doing skills development and training and not necessarily focusing on adult basic education and training. The infrastructure is there for adult basic education and training, the school system, the basic education infrastructure is there, where adults can go in the evenings and use those facilities for education but we are reinvesting lots of money to build these new community colleges to achieve this same objective, we have teachers who can teach in the evenings, retired teachers as well who can assist with adult basic education, our view is it would have been good to separate adult basic education from post school education, it should have its own specific focus and its own specific plan and strategy because it is really, although the department wants to see it as post school education we believe that it is still part of the mainstream.

ADV. K. PILLAY SC: So in other words adult basic education should move back to the Department of Basic Education and be removed from the post schooling system?

DR R RASSON: Absolutely that is our view that it should move back to the Department of Basic Education thank you, thank you for that.

COMMISSIONER KHUMALO: A follow up on that, would it be your recommendation that if it is a question of availability of funds that the adult basic education should take precedent over the campaign we are here about?

5 DR R RASSON: No, no I would not say it should take precedent over that I think it should be looked at as a different trajectory altogether, it must be separated from higher education and tertiary education it should be looked at completely as a separate entity. It is important but it must be separated from higher education, I think it just confuses the whole
10 process of tertiary education.

The last point I wanted to talk to was the restructuring of the Seta's, we know that the Seta Act mentioned that is it 2017 that the Seta's must either cease to exist or must be stopped or restructured. It is our belief that the Seta's have played an important role in terms of
15 skills development but the sustainability of the Seta's going forward looks very unsustainable to us. We believe that they should be integrated with the Tvet sector and the entire University sector particularly if our suggestion or recommendation that the Tvet sector must streamline its programs and start providing shorter programs that are required by
20 industry which is what I believe or what we believe the Seta's are currently doing, they approve certain programs which are shorter, they fund them but the sustainability of this initiative to us looks like not futuristic at all.

We believe that they are sitting on a lot of money and this money
25 must be put in a common kitty and advanced the Tvet sector and the

higher education sector in terms of the University sector and begin to streamline the training process within the two sectors and then at a later stage look at how we can support community colleges, I think right now it is really scattered, so scattered that the reports I have looked at in the past nobody seems to even know how many people have been trained through the Seta's and where these people are at the moment, I think we are just throwing money at a problem without looking at an assessment and a monitoring of the outcomes of these initiatives that we do.

COMMISSIONER KHUMALO: And do you believe that the Tvet colleges should be fee free?

DR R RASSON: I believe that anybody who cannot afford to pay fees at the Tvet colleges should not pay fees but people that can I think it is for the phase 1 process, for the phase 1 process which is a highly extended subsidy program we believe that we will subsidize those that need to be and then phase 2 after we have levelled the playing field we can consider whether this economy, this country can afford free, completely free education which is what we advocate as a political party but like I said we need to realign the economic model and the political model to achieve that, at the current juncture we do not believe that the economic model can carry completely free education.

COMMISSIONER KHUMALO: Thanks doc. On the Seta's, do you believe Seta's have got a capability or capacity to assist in the feasibility of fees free like you are talking about Seta's how they are not sustainable, if we make them to be sustainable do you believe that they can create that feasibility that you are seeking here?

DR R RASSON: I think they are sitting on a lot of money and if that money could be released into the sector to begin to promote a formal streamlined post school education sector that would assist a great deal, I am not in very great favour of the Seta's, I think they have played their
5 role to where we are now maybe it is time to close shop. I think for us what is important as I indicated in our opening we are a political party, we are a new political party, our presentation is premised on our manifesto which is the social democratic revolution and we are going to, when we do come to power in South Africa and the next few years we
10 are going to advocate free tertiary education for all but that must be based on a new political premise which is social democracy.

First and foremost to us what is important is give people the resources so that they can make their own decisions. Our key point is that when students complete college or University, whilst looking for
15 employment the government has a responsibility to give them money, to give them an allowance so that they can go out and look for employment, it is the same government that is telling parents that take your children to school so that they can get jobs, we take our children to school, they finish school they do not get jobs so you lied to us then you
20 owe us something, those students must be given an allowance for a period of six months whilst they try to find employment and if they do not find employment they must reapply and that is empowering the young police so that they can find jobs and they can continue to live their lives, thank you. thank you Chairperson.

25 ADV. K. PILLAY SC: Doctor, sorry Chair just a final question, Dr Rasson

in your opening remarks you were quite critical of governments response to the fees must fall movement, what in your opinion should have been done differently?

DR R RASSON: When I was principal of the college, the Tvet college I
5 had the same problem of a handful of students stopping everything on the campus and I introduced what I called democratic student governance as a code, I required that every meeting of the student body must have, it must achieve a quorum and it must be recorded that the majority of students at the institution were there at the meeting and that
10 voting in that meeting must be democratic, it must be by secret ballot so that students cannot be victimised by the radicals amongst themselves if they do not vote against, if they vote against a certain motion.

So when I said in my presentation we need to institute democratic governance principles within the organs of civil society and
15 this is very common, the Trade Union movement, the student movement you get a handful of radicals that will shut down an institution when the majority are silent, we need to work on that, make sure that when the students of a University decide to go on strike there is a record that the majority were in that meeting and the majority supported that meeting
20 and I told students at the college that I will only listen to you when I get the record that the majority of students in this college want me to do this and I did it, whenever they came to me with a record of a meeting the majority wanted me to provide free lunch, I provided food because the majority wanted but not a handful of 200 students putting, bringing
25 Wits University to a standstill when Wits has 25 000 students, that is not

democracy, that is not the democracy that we fought for.

We are not going to have a manipulated democracy in the organs of civil society because we have weak institutions, we have weak governance, we have weak management structures in our colleges and
5 University's and we have a weak government, that is why the schools are being burnt left right and centre and we are doing nothing about it, we have got to be strong, authority, democracy without authority is not democracy, thank you.

JUDGE: Doctor where were you principal?

10 DR R RASSON: I was principal at Mtashana Tvet College which is based in Vryheid in KZN.

JUDGE: Thank you. Thank you very much indeed, thank you for taking the trouble to come along at short notice we appreciate it, thank you for your input.

15 ADV. K. PILLAY SC: Chairperson our next presenter will be at 15:00 so may I ask that we have a 10 minute adjournment.

JUDGE: We will adjourn until you let us know.

ADV. K. PILLAY SC: Thank you that will be fine. I believe that they are here already so if we can have just a few minutes to have them just get
20 comfortable.

JUDGE: Yes indeed you will let us know when you are ready thank you.

HEARING ADJOURNS

HEARING RESUMES

JUDGE: Yes Ms Pillay, who do we have here?

ADV. K. PILLAY SC: Thank you Chairperson, the next presentation is

from the University of Pretoria.

JUDGE: Who is the spokesperson?

PROF. C. DE LA REY: I am Chairperson, I am, I am Cheryl De La Rey.
I am the vice chancellor and principal of the University of Pretoria.

5 JUDGE: Thank you.

PROF. C. DE LA REY: ...[inaudible] introduce my colleagues.

JUDGE: Please do.

PROF. C. DE LA REY: On my left is Professor Carolina Koornhof, who is
the executive director responsible for the finances of the university. She
10 is in effect the CFO, and also for student affairs currently. Next to her is
Dr Gerald Omar, who is our director of institutional planning, and a
specialist on higher education policy.

JUDGE: Yes, thank you. And you are going to do the presentation, are
you?

15 PROF. C. DE LA REY: I will do the presentation but when questions are
posed we will respond from our knowledge basis.

JUDGE: Of course. Please go ahead Professor De La Rey.

PROF. C. DE LA REY: Well firstly Chairperson and Commissioners.
May I thank you for the opportunity to do this presentation this afternoon.
20 We have a slide presentation, which I will control with the little gadget
next to me. We have planned the following: Firstly if I turn to the
overview slide, I will briefly outline the University of Pretoria, as it
currently stands today, 2016. Comments, or give some evidence
regarding the contribution we make as a public university to the South

African Socio Economic landscape. I will speak briefly about some financial scenarios that confront us from the current year into the foreseeable future. Comment on sustainability and some risks to the sustainability of the university, the funding challenges and dilemmas we face as an institution, and lastly make some propositions to the commission regarding the future of funding, not only the students but perhaps the university sector as a whole.

Without further ado, if I may then proceed to the substance. My first slide gives the history of the university of Pretoria. It was established as a very small institution here in the city centre in 1908. So it is one of the country's oldest public University's and it is now recognised as a leading research intensive public university. We currently have seven campuses, nine faculties and a business school, which is Gibbs based in Johannesburg.

Of the research intensive University's we are the largest in terms of student enrolment and the output of graduates annually. We also have the widest range of academic programs. There are 1267 academic programs, and those academic programs are comprised of modules and in 2015 we had just over 2000 of those. We are also known for our faculty of veterinarian sciences, being the only one in the country.

We take pride on the fact that ...[intervenes]

JUDGE: Is that Onderstepoort?

PROF. C. DE LA REY: Yes, that is Onderstepoort.

JUDGE: Is it still located where it used to be?

PROF. C. DE LA REY: Yes, indeed it is. It is looking rather different,

much more modernised than, but that is where it is. We take pride in offering our students state of the art infrastructure and an environment and we operate on a principle of planning precincts, and currently we have a partnership with the City of Tshwane, looking at the university's
5 future development, aligned with the future plans of the City of Tshwane.

JUDGE: Just as a matter of interest, where are your seven campuses?

PROF. C. DE LA REY: It is Onderstepoort, it is the one in Hatfield which people talk about as the main campus, it is the one in Groenkloof, our faculty of education just below Unisa, it is the Mamelodi, which was
10 formally a Vista University Campus, but now part of the mainstream of the University of Pretoria, and the one very close to where we are, our Healthy Sciences Campus, adjacent and part of the Steve Biko Academic Hospital Complex. We also talk about our campus close to the N1, which is the Sports Campus, or Hillcrest Campus that we refer to
15 and our plan in the future is to connect Hatfield with that part, because we have expanded so significantly in the recent past, and then I did mention the one in Johannesburg which is known as Gibbs.

JUDGE: Gibbs?

PROF. C. DE LA REY: Yes.

20 JUDGE: I did not realise that was the University of Pretoria?

PROF. C. DE LA REY: Yes, many people do not and I am trying to correct that as often as I can.

If I may then proceed, changing the slide, just to give you a picture of our current profile. We do have an international reputation, and we
25 ranked among South Africa's top five University's. As the commission, I

am sure, is aware there are a number of these ranking systems and we regularly feature in the top five of those. I would not go through all the details, but just one or two.

Our business school, Gibbs, is the only one in Africa, ranked at
5 number 43 among the top 50 globally by the UK Financial Times, Executive Education rankings, and it is a rather new business school. So it is part of a very old university, but a new dimension of the University of Pretoria.

JUDGE: Did the University buy the Gordon Institute?

10 PROF. C. DE LA REY: No. It was established, it was a Greenfield's project and it is so named after Sir Donald Gordon who provided the initial donation to set it up.

JUDGE: Oh, I see.

PROF. C. DE LA REY: If I may then proceed. What is best covered in
15 the popular media is university's performance per subject area or professional area, and if I may draw your attention to the slide that I have just flipped through. We are particularly proud of our position in 2016 for the broad field of development studies, where we are ranked between 51 and 100 in the world. Why I emphasise that one is because
20 development studies is a field that is of particular significance, not only to South Africa's national development, but the entire African region, and Gender 2063, for the future of Africa.

Others, agriculture for example, we rank between 101 and 150. Law might be of interest of some members present, accounting and
25 finance, education, which is basically our focus on teacher education,

geography, the English language, we rank between 201 and 250, environmental science, 251 to 300, biological sciences 300 to 400, medicine 301 to 400. Computer science NIT.

The point I would like to make, Chairperson and Commissioners,
5 is that the University of Pretoria's contribution to our economy is based in a number of areas that we would identify as critical areas, where there are significant shortages, a point to which I will return in a later slide. If I then change the slide to talk about or profile of 2015, this being the current year. I will now give you figures that are published in our annual
10 review and has been submitted to our government departments.

In 2015 we had a total of 59514 students, of whom 10362 were enrolled for distance learning programs in our educational faculty. All of those are teachers upgrading their qualifications, typically to honours level and then masters and doctorate. We do not have any other
15 distance learning programs. That is the only category. All the other students are then full-time contact students at the university.

In terms of the total, about a third of our students are post-graduate students, studying for honours, masters and doctorate degrees. Given our history, I thought it noteworthy to mention that we are
20 changing our profile fairly rapidly. 2015, 60.2 percent of all our student registered were black, where 52.8 percent being black African, to use a more finer social categorisation.

In terms of the diversity of students, if I just compare how we are doing over a period of time, in the year 2000 only 21 percent of the UP
25 students were black, and that has been a focus area in my time as vice

chancellor. As I said earlier, we are paying particular attention to our contribution to scarce skills programs. South Africa has a Human Resources Development framework, which has identified scarce skills and in the last number of years we have focussed on growing our enrolment in programs where the country has identified the greatest need. Teacher education, medicine, veterinary sciences and the financial sciences have been on top of our priority list and we have expanded our campuses to take in growing numbers of students in those areas.

10 Compared to the benchmarks both nationally and internationally, we have a good record in terms of pass rates at the undergraduate level, where 81.6 percent of students who enrol pass the examinations, and of those who write the examinations on average 90.3 percent pass, and that I give credit to my colleagues who focus on academic support, both
15 for students and for the academic staff, especially as the university becomes more diverse and we grow our numbers.

If I then move on to the next slide. It is one thing to talk about enrolments, but graduates is an important measure, because these are the people who ultimately go out into the economy and society. Before I
20 talk to the slide I do want to just alert the commission to the time lag. So as we increased enrolments it is only in the future years that you will see significant shifts at they go out.

On average an undergraduate student will take 4 to 4.5 years before graduation. So if I may start off, more than 350000 degrees and
25 qualifications have been awarded by the University of Pretoria over time

as far as our internal record show. But if I come to the current period, at the moment I can report that 114130, or 32.3 percent of all our degrees have been awarded to black students, with 29.34 percent being awarded to black African Students in particular, and I have put the actual number
5 there, it is over 100000.

In terms of our contribution nationally. As a university we contribute 18 percent of all masters degrees in the country and 14 percent and all doctorate degrees in South Africa. Just to give you one area where it is defined as a scarce skill area. 23 percent of all
10 professional engineering degrees in South Africa is obtained at the University of Pretoria, and I emphasise "professional" because there are different types of engineering qualifications, and these are engineers who would be accredited by the relevant counsel as professionals.

I am very pleased last year that we improved our performance.
15 We reached a historical high of 333 PHD's or doctorates and this is something that is identified in the national development plan as an area for growth and hence we are focussing on this output at the university.

We also measure our success as an institution in terms of a number of surveys around employment of graduates. But very
20 importantly, as the leader of the institution, let me say, much attention is given to rankings, and international rankings. But I measure my institution in terms of how many graduates are successful after graduation, and in order to do that the relevance of our courses matter. So we do employ surveys, asking them how would they rate a UP
25 graduate, where do they think the shortcomings are and the like, and we

get very positive feedback, and we do those surveys regular and Dr Omar is responsible for that.

We are also very proud that our survey show that more than 90 percent of the University of Pretoria's students are employed within six
5 months after graduation, and there I talk about meaningful employment, not the arbitrary employment that sometimes we refer to. Of course, given the current economic circumstances I, we will conduct a survey to check in current times how our graduates are doing.

Some years ago we also commissioned a study, which was done
10 by a company called Context Research, because I was very keen to get a better understanding of what contribution we are making to the South African economy in general. It is often said that the best contribution any university can make relates to your core business, which is producing graduates, and yes it is, that is our core business.

15 But my view, and I take it very seriously, it is one of the responsibilities of a public university to consider its role much more broadly. So we operate as, I would say as a kind-of micro economy, certainly in the Tshwane metropolitan. So they measured for us - these are 2011 figures and we have not commissioned a similar study recently,
20 that in 2011 we contributed R19.85 billion to the national economy, and R14.06 billion, or 2.7 percent of the total economic output in Tshwane. Please forgive me, I forgot to change the slide.

We created a number of jobs and we continued to do so and at that point in time we, according to the measures, had created 38224 jobs
25 in the formal and informal sector in South Africa, with the majority of

those, 22997 being in the metropolitan in which we are based, which is Tshwane. We tried to then work with these companies to develop a methodology to look at how this translates into a contribution to household income in South Africa, and the 2011 figures, it was R4.79 billion contribution to household income into South Africa. Of course the major proportion being in the City of Tshwane.

This kind-of work, I believe, is very important, because our goal is to be an engaged university, a university that is part of and making a meaningful contribution to our society. We introduced a compulsory system of community engagement for all our students, and I will show more figures on the next slide.

What this means is that we require every student at the University of Pretoria, by the time they graduate to have been involved, and actively participated in one credit bearing community engagement module as part of the academic program. Of course we have to monitor this. We have a central office that does so for us. We have a system, we have a customised system, so we know where the students are at any particular point.

Most of them are within a 50 kilometre radius of the home campus. At any one time at least a third of our students, so about 20000 of them are annually doing community engagement as part of their curriculum. There is a great many more that do so on a voluntary basis. The number of student clubs, societies, the student representative council, they are free to undertake projects as they see appropriate, but this is a formal curriculum requirement.

If I may then invite you to cast your eye to the bottom of the slide. So in terms of community engagement activities, at any one time we have about 11203 students enrolled in 159 formal modules, focussed on community engagement, and at any one time we have close to 7000
5 students out in the community. This varies from the central prison here in Tshwane, through NGOs and a whole range of community organisations with whom we partner.

Now we do this because I believe it is part of our responsibility to think about the quality of citizen we produce, and not just the skills, and
10 we look at soft-skills, if I ask you to look at the next slide, and not only the technical skills. So for example, all our engineering students are required to do a humanity's module, and we, as I said, focus on social responsibility and community engagement.

I now wish to turn to some financial scenarios. I am sure the
15 commission has already heard many times, so I would not dwell on this matter, that there has been a real decline in subsidy income over the past number of years, and at the same time we have grown as a university. We have grown in terms of our annual enrolments, and that growth has contributed to an increase in expenses. My colleague, Prof
20 Koornhof, can give some figures on how rates and taxes we pay to the municipality has also grown, let alone energy costs, water costs and the like, year on year.

In terms of our own planning, Chairperson and Commissioners, what we did very recently is to think about scenarios for our university,
25 and we started out by saying, what if we had the same funding

framework going into the foreseeable future, without any tuition fee increase? Let me say that students would still pay fees but pegged at 2015 levels. So that was the one scenario that I will refer to briefly.

A second one we said, what if there was a regulatory framework
5 that suggested that we keep to tuition fee increases, pegging at inflation level, using the official CPI or equivalent. And then scenario three is that the financial executives of the University's commission an exercise to look what is higher education inflation in University's, and it is commonly talked about as HEPI, an acronym, Higher Education Price Index. And
10 that is because our cost structure in University's is somewhat different to other types of organisations.

One of our biggest costs is paying salaries to our staff, both academic and professional, administrative and technical staff, and that drives the expenses in a particular way within a university system. Out
15 of those three scenarios our concerns about long-term sustainability grew under all three scenarios, even under scenario 3. Which require, and we are now as an institution currently focussed on what business might call the business model of the university and how we can adjust ourselves to changing circumstances.

20 Now I wish to focus on the next slide. This is to give you a picture of how the university is totally funded, where do we get our money from, and these PIE charts, it starts at the bottom one all on its own is 2013, and then 2014 and 2015. If I may direct your direction to each. The one in red is what we have got from tuition and residents fees here over the
25 three-year period. The other one, which is a colour I am not sure how to

name, it is that khaki looking colour, is the subsidies, and those are the two biggest slices that, on which we run the institution. Subsidy and tuition fee, and obviously residents fees. We have a very large residence portfolio.

5 It is often talked about as third-stream income, but I would like to unpack what that is in an institution. The smallest part of what is called third-stream income in a university ...[intervenes]

FEMALE SPEAKER: Sorry prof, just a sec.

PROF. C. DE LA REY: Yes?

10 FEMALE SPEAKER: I wanted to check if we can get a copy of this?

PROF. C. DE LA REY: We have submitted a copy, Commissioner.

ADV. K. PILLAY SC: My apologies Commissioner, I believe that the versions that is in the files are an earlier version of the presentation, but we will get the latest version to you.

15 PROF. C. DE LA REY: But certainly Commissioner, we brought copies with and we can load it onto any laptop. This is the only one - there were one or two mistakes we made previously, we were in a hurry, and I have corrected those as well. But we have submitted the latest version and if there is a need we will ...[intervenes]

20 FEMALE SPEAKER: Our presentation does not show below, so we do not know which colours are there.

PROF. C. DE LA REY: Do you - is this one on your screen at the moment with the PIE charts, on the Commissioner's screen?

JUDGE: The PIE charts are on the screen. I am not sure, having listen

to you, as to what is the third-stream income on that.

PROF. C. DE LA REY: I am now going to speak to that Chairperson.

JUDGE: Yes?

PROF. C. DE LA REY: So if I may categorise ...[intervenes]

5 JUDGE: Yes, thank you.

PROF. C. DE LA REY: If I may categorise revenue or income into the university, there are three chunks, and I am now just talking generally. The first slice is our subsidy that comes from the government. The second big slice which is the red one, is what we get from tuition and
10 residence fees, and then if you categorise all the others into the third slice, that is what people talk about as third-stream income. But I have broken it down, or we have broken it down to give you more detail of what it comprises.

If you look at the slices there, the biggest one of that grouping, it
15 says 15 percent, it is in that orange colour. That comes from campus companies and other income. Now what this is, is the University of Pretoria, like most University's across the country, we do contract research for a number of organisations. We offer programs for organisations. The people who deliver those programs or who do the
20 work are our academic staff. The income that they bring in for us helps us fund the university annually, and if you look at 2015 level, 14 percent of the total annual income to the university came from that set of activities, which in rand terms is quite a sizeable amount.

JUDGE: It is. Are your academic staff obliged to find this sort of
25 ...[intervenes]

PROF. C. DE LA REY: No, they are not obliged. Firstly they have to get permission from the dean of the faculty, because their first order of business is the teaching and administration and research, and only after they have met those obligations they may do so. But it has brought a
5 more coordinated framework, especially for professional staff in the university.

So for example, medical professionals, legal professionals, it is also helpful for their continuing professional development to see clients, once they have completed their obligations to the university, because it
10 keeps them relevant and it gives them new case material to use in the classroom. So ...[intervenes]

JUDGE: But is there a commission that then comes back to the university from that.

PROF. C. DE LA REY: Yes, it does.

15 JUDGE: I see.

PROF. C. DE LA REY: And it helps us fund the university annually. So it is not for any other purpose, except, one could say, continuing professional education for our professional staff, but it really helps us fund the university.

20 The blue one that says 10 percent is contract income, and that is largely research contracts, commissioned by outside, and I distinguish this from grants. Grants are where there is no expected deliverable at the end. It usually take publication and so forth, for the good of society and humanity, as opposed to contract income where there is a particular
25 purpose for an organisation.

Then we have the other colours. The five percent is interest in dividends, and I am very appreciative of the financial team at the University of Pretoria, who invest, and over the years have invested money. We use the return on that investment to upgrade the
5 infrastructure of the university annually, and I do want to emphasise that that cannot be used for any other purpose, because it is subject to the peaks and troughs of investment income.

JUDGE: So a reserve, is it?

PROF. C. DE LA REY: It is not all under our control, but often the
10 interest we can get a percentage of that we can then use to plough back into the university, and we use it for capital expenditure, and in the recent past where government has given us money for infrastructure they required us to contribute from own funds, to build a new residents. They give us half the costs, and that is the money we use to fund the
15 remaining balance.

Last year, for example, government gave us 70 percent of what we would have had should the fees have been increased for 2016, we contributed 30 percent from our own funds, and that is the source from which - but this is what you can use for once-off costs as opposed to
20 ongoing recurring costs. But at a later stage Prof Koornhof could give more information.

JUDGE: And do you charge and maintain that, what I called a reserve, at a fixed level?

PROF. C. DE LA REY: We do, and it is becoming more and more
25 difficult in the current financial climate. But we do try to maintain it at

particular levels. We have rules, as management we subscribe to it, to make sure that we do not run it down overnight, because that could be the road to bankruptcy.

JUDGE: In capital terms what are you speaking of?

5 PROF. C. DE LA REY: Sorry?

JUDGE: In capital terms what are you, how much are you speaking about?

PROF. C. DE LA REY: Prof Koornhof, would you like to respond? May I ask my colleague?

10 JUDGE: Yes, off course.

PROF. C. KOORNHOF: Yes, thank you Chair. The reserves of the university consist out of two main categories. The category that is called “restricted funds”, in other words, funds not under the control of counsel, and then the reserves which is what we call “counsel designated funds”
15 which are those reserves that are designated by counsel for specific purposes.

Under quick analyses based on the financial statements that has been submitted to the department for 31 December 2015, the amount of counsel designated funds is R3.6 billion and then - that is now made up
20 of different areas where counsel has indicated that we should invest. One of the funds is to accelerate the diversity of both our students and our staff, would be one example. Another example is that we often find fluctuations in the subsidy which in a university environment is very worrying, so we have created a subsidy equalisation or endowment fund
25 which will buffer variations in subsidy.

Then there is a number of other areas. There is, for example, funds that we reserve for the residents for refurbishing of residences.

JUDGE: Thank you.

PROF. C. DE LA REY: Thank you. If I may then continue. The last
5 category is donations, and that is three percent, it is the bright green,
and it is the smallest part. At the current time it is three percent,
contributes three percent to our total annual revenue and we are very
grateful for the donation. But as the commission can see, it is really a
small percentage. The majority of that funding takes the form of
10 scholarships and bursaries for students and they go directly to the
students. I also perhaps should point out that annually from the funds
that Prof Koornhof spoke about, we allocate an amount to fund bursaries
from own funds. Last year, if I remember the figure correctly, it was over
R100 million from the own funds of the university that we gave out in the
15 form of bursaries to students. But that annual figure changes depending
upon what is available.

If I then could turn, this is an institutional picture, and it is a rather
busy slide, but I will try and keep it simple. What we are looking at here,
when we refer to FTE, it is the four full-equivalent for students, and what
20 that measures is not the number of heads in the university, but a student
who is carrying a full course load within a particular academic year. It is
a fairly stable way of measuring the contribution over a period of time,
and I would not spend, go through each of these, except to highlight,
firstly the starting year is 2006, and then it ends, it goes up to 2015, and
25 if you look at what is the brownish coloured one, that is the subsidy per

full-time equivalent students, and then there is the green one, which is the tuition fee per full-time equivalent students, and then the last one is the expenses, what we spend per full-time equivalent student.

Without going into detail, the point that I wish to draw to your
5 attention is how the expenses are increasing quite steeply and we do not see a concomitant increase in the income in the form of subsidy, nor in the form of tuition fee, and that is the reason, or part of, the factors that persuade us that we need to focus on sustainability and how we will manage to the short, medium and longer terms.

10 A much simpler version of the expenditure part of the finances is in the next slide. I think you may have a busier version, I am not sure, we gave more detail in an earlier version. But what I want to show is that, between 2012 and 2015, for example, our expenses increased 12, 12 and then it went down to 4, because that was a change in accounting
15 policy that Prof Koornhof can give you details, and then the latest financial year, our increase in expenses was 11 percent, our increase in subsidy 4 percent, our increase in tuition fees was 9.4 percent.

What is not here, is that every year we have been taking in a larger group of students. So our numbers are growing, expenses are
20 growing, of course, but the income in the two main channels of income had not been growing.

JUDGE: I do get the impression from the graph which is headed "subsidies/FTE" and the following diagram that the income of the university is very carefully managed. It is structured so that the
25 increases do not go out through the roof and there is a balance

maintained as far as possible?

PROF. C. DE LA REY: We are very carefully managed. Some of our staff might complain that we are not generous enough, but careful management is the key to sustainability in the present and in the future, and I was very fortunate when I was appointed at the end of 2009 that I came into an environment that had a history of careful management, and the challenge is in changing circumstances to keep a close eye on the management of the institution, because I see my role as a custodian for a very short period, but it has to survive the next 100 years.

10 JUDGE: Yes, yes.

PROF. C. DE LA REY: If I may then, with your permission, proceed. We have a number of busy slides which I would not go into, that we have included. These are the scenarios that I referred to earlier on, and it is part of, we have submitted the information to the commission. But the scenarios, essentially we looked at the year 2017 going into, up until the end of 2021, which I would say is the foreseeable future, you might debate that, but perhaps let us say the short to medium term.

In scenario 1, I am going to move directly on, we made the assumption that the subsidy framework remains essentially the same and increases at the same level in the future years, but there is no further increase in tuition fees, from 2015 onwards, and immediately in 2017 we would go into a deficit situation, if you look at the bottom line, of R88 million. So as we speak, planning for 2017, we are looking at these three scenarios and a deficit of R88 million would mean that we would have to significantly cut our expenses in a number of areas across the

university.

FEMALE SPEAKER: Prof, just on that. Is it a possibility though to cut the cost, the running cost?

PROF. C. DE LA REY: You want to talk ...[inaudible].

5 PROF. C. KOORNHOF: ...[inaudible] give you a ...[inaudible] answer. If we go to the slide just before that, you will see the list of assumptions, and I think it is important to look at the assumptions when you are dealing with forecasts. So in the assumptions that we did on our forecast we already cut, it is the third dash from the bottom. The
10 scenario includes that the University of Pretoria will cut from its salaries R50 million, over a period of five years, and that is already in the forecast. So if you add that back then the loss in the scenario 1 in 2017 is actually already 88 plus 50.

The vice chancellor has referred to the very conservative
15 management of the finances, so I need to also, Chair, through you, mention that we already cut operating costs over the past three to four years to the level that leaves very little remaining to cut.

JUDGE: Yes, how do you cut salary savings by R235 million?

PROF. C. KOORNHOF: Well we will phase it in over five years, and we
20 have already taken the first measure, to freeze all positions, vacant positions within our support departments.

JUDGE: Alright.

FEMALE SPEAKER: ...[inaudible] on that. On the admin staff, maybe just to address the issue of - what is the word? The contracting in of –

in-sourcing.

PROF. C. DE LA REY: ...[inaudible].

FEMALE SPEAKER: Oh, are you coming to that, okay, thanks.

PROF. C. DE LA REY: If I may say, Chairperson as well, aside from the
5 numbers, we have targeted the salary savings, as Prof Koornhof
explained, by freezing the current vacancies. But there are some costs
in the university that we do not have direct control of, and one of them is
the rising costs of rates, taxes, energy, water and the like. To keep, let
me say, the campuses going on a daily basis those increases are out of
10 our control and it contributes, other than salary, that is a big cost in the
institution.

If I may then move on, looking at scenario two. Again, if we go to
the 2017 column, you will see that on the, taking the assumptions that
Prof Koornhof referred to we will be able to balance our budget, in other
15 words, not run a deficit for 2017, after the savings of R50 million in staff
costs, but we are also cutting all operational costs. So your regular day-
to-day expenses across the university. We have already targeted and
given every department a number and they have to come back to us, to
say what will they not do on an individual departmental basis.

20 Having said that, I do want to draw her attention that, even at 6
percent, look at 2018 what then happens. 2018, if we roll that into the
future, we end up with a deficit of R106.7 million. So if that continues
into the subsequent financial year we will be looking at significant
downsizing of the operations of the institution in the 2018 year, and I will
25 come back to the question that the Commissioner asked me. If we

...[intervenes]

JUDGE: How do you then restore the position, as you appear to so, to reduce the deficit in 2012 to R300 000.00.

PROF. C. DE LA REY: Do you want to comment on the numbers
5 Professor Koornhof?

PROF. C. KOORNHOF: Yes, Chair. We, in doing our planning going forward we use the 6 percent as the benchmark scenario. So that is why you will see that 2017 comes to a zero, and in doing, working with this scenario as the benchmark scenario we came to the conclusion that we
10 will have to cut at least R50 million each year for five years, from staff costs in order, after five years to come close to a break-even of 2021.

JUDGE: What is this going to do to your academic staff and your administrative staff?

PROF. C. KOORNHOF: Chair that is a very good question to ask. We
15 are starting, as the Vice Chancellor has indicated, with the support and administrative and service staff. But ultimately this will have to go into the academic staff as we go forward. So it has dire implications.

JUDGE: Is this the submission that your staff is presently administratively top-heavy?

20 PROF. C. KOORNHOF: No.

PROF. C. DE LA REY: ...[inaudible] absolutely not Chairperson. We do, as you have heard from Professor Koornhof, we do benchmark studies. Now one of the reasons that the University of Pretoria is not in the top 200 in the world, and is unlikely to get there, is because our staff/student

ratio, compared to other international research intensive University's, we are at the very top end on average. So if anything we should be bringing down the staff/student ratio, and in fact we, in the recent past, have been moving in the opposite and unfavourable direction on that particular
5 indicator.

I also wish to mention that we would have to engage in further discussions with our Department of Higher Education and Training on the next five years, should this scenario prevail, because we have an enrolment plan, based on which we, the current enrolment plan would be
10 increasing student numbers every year, and if the revenue does not increase the ability for us to increase at the same level of quality will be significantly compromised, and in a country where we want to expand enrolments, particularly to formally disadvantaged students I do not think that is desirable at all.

15 Thank you.

MALE SPEAKER: Sorry Prof, if you can go back to your slide of all scenarios, and other measures taken to balance the budget, how is it that you are able to reduce NSFAS funds? I thought NSFAS funds is something that is guided by the student population in terms of whether
20 they are able to afford, then NSFAS then give the funds for that?

PROF. C. DE LA REY: Commissioner yes, when we talk about NSFAS funds here we refer to it as UP NSFAS. Because what the University of Pretoria has done in the past is to top-up the funds that are available for NSFAS, and specifically to address those students where there is not
25 sufficient NSFAS funding or to address students in the missing middle,

who have not in the past been able to qualify NSFAS but are very talented students.

In this scenario in front of you, unfortunately one of the areas where we will have to cut is our own investment top-up of NSFAS.

5 JUDGE: Thank you.

PROF. C. KOORNHOF: Commissioner, if I may, in answering your question ...[intervenes]

ADV. K. PILLAY SC: Sorry Prof, if I may also just ask a question, a follow-up question on your all-scenario slide. I notice that it caters for your subsidy funding, that is your block grant and earmarked funding, and it also then has a 4 percent allocation across the years for your “fees must fall” subsidy. So does this envisage that it is not a bail-out from last year to this year, but that you will consistently get a similar funding allocation going forward?

15 PROF. C. KOORNHOF: ...[inaudible] can I perhaps just quickly explain. The subsidy increase of 4 percent is based on the previous slide where you see historically 2013, 2014, 2015, the increase in UP’s subsidy was 3 percent, 3 percent and 4 percent. Then in 2016 the agreement with the university on the zero fee increase was that the department would contribute 70 percent and we would contribute 30 percent. We have made the assumption that only that 26 subsidy, which will be recurring year on year on year, will increase with the same 4 percent as the rest of the subsidy.

25 It does not make the assumption that if there is another zero fee increase and there is another support subsidy coming from the

department. So this is just for the no-fee increases in 2016.

PROF. C. DE LA REY: If I may then return to the Commissioner's question, just to give you the figure, in 2015, from our own budget, we contributed R132.67 million to our students from own funds, and one of
5 the issues to be considered by the commission is that the National Student Financial Aid Scheme does not cover the full cost per student of studying for a year, and that costs varies, depending upon where the student is at.

If the student is in a large metro the cost of studying is different to
10 if you are in a different part of the country, for example. So topping up from university's funds contributes to, not only the financial costs of the student, but help the student with academic success, and ultimately graduation.

JUDGE: Well seeing that you went into that situation Prof, perhaps you
15 can give us an example of the two. A person that comes from the rural area to UP and the person that stays within the City Centre at UP, and how the two play themselves out in terms of NSFAS funds, that are distributed.

PROF. C. DE LA REY: Professor Koornhof can add, but if I may just
20 sketch the bigger picture. The first thing is the cost of residents. If the student secures a resident place within a university owned residences there is a particular cost which is very different to the cost of residence in a privately owned residence. Because in the university we cross-subsidise the costs of running residences, and that is something you can
25 do in a large institution.

Because in a large institution some programs run at a different cost structure than others and you can do internal cross-subsidisation. Of course in smaller institutions you cannot do that. So whether the student is moving into a place where they need residence is a significant contributor, in terms of the cost to the student themselves.

The other big thing would be the cost, the general cost of living within the city. Transport, if you are living within a university owned residence, that is not a cost. If you, even if you are a commuting or day-student and you are in the urban area you are often travelling from Soshanguve to the university and you have to pay your taxi fair, whatever. So there are costs to students, depending whether they are in a university owned residence, a private residence. So when they come into the City of Tshwane for the first time, regardless of where they come from, there is a specific set of costs that they face.

For the ones living in it depends on, of course, distance from the institution, what the cost is. We have students who do travel as much as two hours a day to get to us on taxis and that contributes to their cost structure. Professor Koornhof, we did an exercise recently, just modelling what does it cost for a four year's expenses, on the assumption that you live in a university residence and it came to about R90 000.00 per annum, the full cost.

But that assumes, I am talking about the cost of feeding yourself, not just paying your tuition fee and the like. If I may, though say, I refer to the benchmarking in world terms, including in African terms, South African university education is fairly cost-effective and Dr Omar has done

some work that, if you want, he can share with you. He has done some of the research. If I may then continue?

The last scenario, one could say, would be a best-case scenario, which is where we use the 8 percent, if I have just - have I moved to the
5 right slide? Sorry, I cannot see very clearly from where I am. Okay, I want to move to three. Good. So the last one is scenario 3, and should there be an 8 percent increase in tuition fees, and with all the cost cutting that Prof Koornhof referred to, then you will see that we would generate a surplus of R29.4 million in year, the 2017 year. Then we
10 would dip in the model that we have developed, but then we could come back after that.

If I could then move on to summarising the pictures. So at the present time we have done these scenarios, because we are uncertain about the future of tuition fees. The subsidy framework has been under
15 review for some time and we are not sure whether that is going to change. In the current subsidy there is something called a block grant, which has been - and we need a block grant, because we have to plan ahead, so we need certainty in the system and usually block grants are formula based to give us that certainty, because we need to provide for
20 the student from year 1 until graduation.

There are elements of the so-called subsidy that I do want to point out, it is a non-block grant, but we have put that in our calculation, these are what government would call earmarked grants which you can use for specific purposes only. We are also not sure about the future of
25 infrastructure funding. Particularly for a university like ours, when we get

money for new infrastructure we are always required to contribute from own funds, and if own funds diminish then our capacity to do so is equal, also diminished.

JUDGE: May I just ask you. Have you in the past run at a deficit?

5 PROF. C. DE LA REY: Not in my time. Professor Koornhof, do you have a longer history?

PROF. C. KOORNHOF: Chair, I think there were one or two instances where there were some variability in the block grant calculations. But then we utilised that equalisation or endowment fund for the subsidy. So
10 in my memory we have always presented a break-even budget.

JUDGE: Is there any reason why you should not run at a deficit over a short period?

PROF. C. KOORNHOF: Yes.

PROF. C. DE LA REY: Yes, there is a governance reason, and that is
15 the counsel - firstly it would not be responsible of ourselves to present to the counsel a deficit budget, and it certainly would not be good governance for the counsel to approve one. They should send us back to revise the budget, until we have a balanced budget in some way.

JUDGE: Is this the practice also at other University's in South Africa?

20 PROF. C. DE LA REY: I cannot comment, Chairperson.

JUDGE: Yes, very well.

PROF. C. DE LA REY: On the issue of in-sourcing, commissioner, you asked me about that. In terms of what we are currently doing. We have a three-year framework for in-sourcing certain services. We, in this

current year, have in-sourced our security services, because when the issue manifested the contract we had with the service provider had indeed ended. So it was just at the point where we could in-source.

The cost for 2016 to date has been an additional R56.5 million.

5 Our projected costs for 2017 is R97.9 million, and then for 2018, that year, the projected cost will go up steeply, because the expected salary level increases quite significantly, with the cost to the university projected at R10 500.00 per staff member in that category per month. But I have given two years to give you an indication of that cost.

10 JUDGE: What is the attitude of the University of Pretoria to in-sourcing?

PROF. C. DE LA REY: We have taken the view - well we have agreed to in-source particular services. Security, cleaning, and food services are the three main ones, that we will in-source and we have partly in-sourced to date. But the plan is over the three-year period.

15 JUDGE: Is this merely done out of yielding in the face of pressure?

PROF. C. DE LA REY: No Chairperson. When we took - the way in which outsourcing works is that you secure particular services. The service provider is then, at their discretion can decide how many people they employ to perform that service and at what level, and when, you know, it became apparent that some of the workers were being paid salaries that I felt were not justifiable we took the view that we should in-source services for those who are on our campuses full-time every day for a sustained period.

25 These are people who are there regularly on a daily basis, and those are the groupings of people who we are in-sourcing over the three-

year period. They are not people who come in and out. So they are part of the entire community as such.

JUDGE: But what is your attitude to taking over functions that might not be regarded as your core functions?

5 PROF. C. DE LA REY: Well the issue is, and it is a challenge where we have to develop the management capacity to run those. We, in the process, for example, of security services, there are areas in the regulatory environment that we had to adapt to in order to fully in-source those staff members. For example the registration, the elements of our
10 HR function that has to change. Because the way in which those services operate and the regulatory environment are fundamentally different. But up until now we have managed it in a responsible manner.

JUDGE: These costs that you have estimated for in-sourcing are they, do they also include the costs of setting new management structures in
15 place?

PROF. C. DE LA REY: At this time we are using our existing management structure, and I have put in 2016 and 2017 costs, because we have done the modelling for those. For 2018 our modelling, there are too many unknown variables for me to give you the actual number.

20 JUDGE: Alright, thank you very much.

PROF. C. DE LA REY: I ...[intervenes]

FEMALE SPEAKER: Sorry Professor, if I may.

PROF. C. DE LA REY: Yes, sorry.

FEMALE SPEAKER: Just to characterise, I understood that the streams

of income were three of them, so you get the government, you get tuition fee and you have your own income. Now on your slides, it can be either for the 6 percent or 8 percent, you put the fees under "own income", is there a particular reason or am I reading this wrong.

5 PROF. C. DE LA REY: Prof Koornhof can refer to why she has done it in that particular way.

FEMALE SPEAKER: Ja, yes, thank you.

PROF. C. DE LA REY: But the student fees, obviously is not our own, but up to now it is under our control, let me put it that way. The rental
10 and other income is also under our control. We hire out our venues, for example. Religious institutions, we often do not charge religious institutions, but other providers, and then faculties and support services also are required to generate income for the university, and she can comment further. May I, before she does so, just say, the third category,
15 you refer to subsidy tuition fee, you called it as own income, if I may say, I categorised it as third-stream income and then broke it down.

PROF. C. KOORNHOF: Chair, through you, the budget forecast is related to what is called in university circles, the first column and column
20 1 is your counsel designated column, and that is your column where your main businesses, your teaching, your learning, your subsidy, your tuition fees. What we have not forecast here is column 2, which is our restricted funds, where typically your campus companies, your consulting, your contract research, your short courses, and those are so variable that it is very difficult to forecast five years ahead. So we have
25 not given you that.

Then there is still a third column of reporting required by the department and that is the column for residences, which we also have not given you in this presentation.

PROF. C. DE LA REY: May I continue?

5 JUDGE: Please.

FEMALE SPEAKER: Sorry, maybe I missed it, but the reason why student fees is under "own income" and not separate?

PROF. C. KOORNHOF: Tuition fees with subsidy falls into column 1.

PROF. C. DE LA REY: So it is under the control of the counsel. If I may
10 continue with the slide entitled "critical issues. I think we have already covered the issue of costs. So yes, we do have an ability to control some costs, including staff costs, but there are issues there of reducing the quality of provision, should we reduce the staff costs, as taken into consideration in the model.

15 I do also want to say that year-on-year in the salary negotiations the unions typically put on the table double digit requests for salary increases, and in the light of the figures for subsidy, which has been 4 percent on average, and if, you know, we are talking about the affordability of tuition fees today, our ability to pay staff, increasing levels
20 of increase year-on-year, in other words, above inflation is severely constrained and I just want to mention that.

Then fourthly, we have found over the recent past that the bad debt to the university is increasing, and Professor Koornhof talked about a growing culture of non-payment, that we are now struggling with, and
25 we have some evidence that even those who can pay are not paying,

and it is an issue of concern to us.

Then finally, of course the ...[intervenes]

JUDGE: And what steps do you take against that?

PROF. C. KOORNHOF: Chair, a host of interventions. Usually we
5 require students to make arrangements if they run into difficulties with
payments. If the payments are not made at the end of the year access
to marks can be withheld, and if a student completes a program and has
not paid outstanding fees, then we do allow them to cross the stage for
the graduation, but we withhold the formal certificate. Although we go
10 out of our way to assist employers by communicating directly with them.
So we support those graduates to get work, but we withhold the
certificate until payment is affected. But it is becoming ...[intervenes]

JUDGE: Does any of that result in payment?

PROF. C. KOORNHOF: Yes, until recently we have been able to
15 manage the bad debts quite well. But I think with the #feesmustfall
campaign, as the Vice Chancellor has indicated, we are now struggling
with an increasing culture of non-payment, although students can pay.

JUDGE: Can you give us some idea of the percentage of bad debts?

PROF. C. KOORNHOF: Chair, I have not brought ...[intervenes]

20 PROF. C. DE LA REY: May we submit the information?

PROF. C. KOORNHOF: Yes. I think let me rather submit the
information, then I know it is accurate.

JUDGE: Can you tell us what it has been in the past?

PROF. C. KOORNHOF: Can I perhaps just give a number? During the

2015, we had to increase our provision for bad debts with R36 million, which is a huge amount.

JUDGE: Alright. Yes, thank you?

PROF. C. DE LA REY: And then the last issue that is a critical issue. I
5 have pointed out that the third category of income is what, is defined as
third-stream income, but there we are finding our ability to bring in third-
stream income is now under pressure, because companies and
organisations are cutting back on training, commissioning, research
services and other forms of professional services. So we are
10 anticipating that that is going to decline in the future, because of the
general economic environment.

If I then could move to the next slide. Now if I then move from the
university into the bigger picture, and the bigger picture then is really
about access, particularly to students who are disadvantaged historically
15 and by financial circumstances, and the affordability of a university
education in South Africa. Up to now we have pointed out that the public
funding has declined, and particularly it has not kept up with student
enrolments and the rising expenditure.

Yes, tuition fee has been increasing year on year, to mitigate the
20 decline in public funding, but it is important that, I recognise that many a
student, especially those from poor homes, simply cannot afford the full
cost, not just the cost of the tuition fee, but the full cost of being a
university student, and regrettably the national student financial aid
scheme is not able to cover all the students in the system who needs
25 support.

The next slide, I believe, would have been shown to you already, but South Africa does lag behind, if we look at expenditure on higher education as a percentage of GDP, certainly for the year 2012, we were behind countries like Chile and India, and there are many other
5 countries, Ghana would be one of them on the slide that I have pointed out.

So the key question then that I am now working towards is, how can University's provide expanded access, good quality education, because without the quality employability will be, of graduates, will be at
10 stake. In this context where financial support from the state is declining, students are, either resisting or cannot afford to pay tuition fees and the like.

If I then move to the framework, and what I think I would like to ask the commission to consider. Now the current funding framework for
15 University's is based on a cost sharing model and the cost sharing model has always been framed by two important assumptions. The first important assumption is that a university education brings significant public benefit to all of us in society.

The more - and there are a number of economic studies which
20 show the higher the number of graduates in a society, that society is more likely to have higher social capital, and what I mean by social capital is better health outcomes, lower crime rates, lower teenage pregnancy, better social cohesion, and totally contributes to a better quality of life.

25 But higher education also brings private benefit, and I can - I am

an example of that in my own lifetime, whereby you might start off as a student coming from a home where you cannot afford to pay the university fee, but over a lifetime your capacity to earn a reasonable salary increases, and so forth, and also, aside from the financial benefit
5 to the individual on an aggregated basis, those who have university degrees have better quality of life by all indicators.

In the current funding framework then, it is premised on these two sets of benefits, and therefore suggest to society as a whole that a cost-sharing model is reasonable. In the cost-sharing model, and I am not
10 referring to numbers, I am just referring to the model that we currently have, the state covers the public benefit, at least contributes, because there is such significant public benefit, but there is also an expectation that there would be a private contribution, in the form of a tuition fee.

Now the issue, if I move to the next slide then, if we could look at
15 it in a lifecycle term. So we might have a growing number of graduates who really cannot afford a university education, but, and are talented academically, but once they graduate over a ten-year period we do see that the majority of university graduates firstly are better placed in securing a job after graduation than those without a university degree,
20 and that over a period of time they tend to earn more than the average income for that age cohort.

So therefore graduates cannot be counted among those who are permanently or poor over a lifetime or over the entire lifecycle. So from a lifecycle perspective the problem is not one of lifetime poverty, but the
25 timing of expenditure and income, if I could put it that way, and one of

the ways in which we seek, currently to address this mismatch is through the national student financial aid scheme. But of course, it cannot cover the rising enrolment rate and the needs of the incoming students, and there have been some other issues in terms of the administration that
5 are being addressed.

But if we accept these assumptions then the notion of having a tuition fee is a reasonable one, and if we look across the world many societies who previously did not have a tuition fee now do have one, and what they tend to do in their models, if have a system of funding
10 university education, where for poor students that tuition fee is covered, not by the student her or himself, but covered by another system, and that system could take the form of a different national student financial aid or equivalent.

So in the current picture and in the models we have done we tried
15 to be realistic about the medium term, economic horizon for South Africa, and we recognise that there is a need for income, or to fund the University's from revenue other than government revenue, because government is under pressure, and tuition fees, as we shown from the documents, is a way of assisting with the funding of university education,
20 and certainly for those who can afford in the model it has worked. But it is the affordability that is the issue, and particularly the access for poor, financially poor students.

So let me go to the issue of free higher education and put the question. Well the question is, we took a look, and Dr Omar can
25 respond in more detail, because he has done the work and studied the

literature on this, who is actually currently enrolled in the University's in South Africa? And if we look at the information that we have listed on the slide we see from the studies that have been done that the majority of students who are currently in university education can pay a tuition
5 fee. We can of course debate the affordability, but certainly based on the information that Dr Omar can give you more about, they can pay.

So if we look at the incoming cohorts into the University of Pretoria, a number of our first-year students come from schools where they have paid a tuition fee. It might be a very low one, it might be a
10 very high one, but they had paid a fee to the schools.

On that basis then, if I may move on, again we are talking about economic growth in the next slide and showing that we do appreciate the fact that the ...[inaudible] is under pressure and I would not go into detail. But then the challenge is, and I have had the opportunity to be part of a
15 number of task teams about the matter. How do we, as a country, fund all the priorities of the post-school education and training system, and the priorities are in the white paper published in 2013, bearing in mind that we are not talking about funding University's only, but a whole system of post-school education and training.

20 In the very recent past government has established three University's, there had been more foundation programs funded, there is a whole new program to fund the next generation of academic staff and the like, and also we have seen increases in the research capacity.

So let me skip then, in the interest of time, to rethinking the tuition
25 fee model, which is this slide ...[intervenes]

FEMALE SPEAKER: Sorry Professor, sorry to interrupt.

PROF. C. DE LA REY: Yes?

FEMALE SPEAKER: I just want to get clarity, you refer to student fees, then you refer to tuition fees, now I am talking about this in the fee, what
5 is this "fee" that we are dealing with really? Is it both other expenses and just tuition as in for teaching or, what is the UP's position on that?

PROF. C. DE LA REY: Well I use tuition fees, because in University's there is often a residence fee and a tuition fee, and that is the distinction I am making.

10 FEMALE SPEAKER: Yes. So when we say, when we are talking about fee-free, which part are you talking ...[inaudible] free?

PROF. C. DE LA REY: No, I am talking about the whole package. So no, the student herself or himself is not having to pay over from own funds.

15 FEMALE SPEAKER: For both tuition and accommodation, and whatever have you?

PROF. C. DE LA REY: Yes, financially poor students. So on rethinking the tuition fee model, let me be clear, at this point it is tuition that I am focussing on, but we could talk about it more generally. Here I am
20 specifically thinking about the financially poor student.

Now the big challenge is, what is a reasonable tuition fee, if we continue with the concept of a tuition fee? It is very difficult to establish what would be reasonable, given the wealth gap in South Africa, the number of students who are really poor, but are academically talented,

and there is a group of students who come from homes where they have been paying school fees at a fairly high level, and what we are suggesting is that consideration be given to a sliding scale tuition fee model.

5 This is, I am sure, not new to you, and in fact in a number of part of the world, in University's they use such a system, including in countries that you may define as emerging economy countries, similar to South Africa. I think it is feasible, and very importantly what it allows is also the state or the government to think about when it changes, and it
10 could change the entire funding framework, to then fund University's differently to offset the different, the cost for the poor students. So you could have a different formula in the block grant to accommodate this model that I am putting in very high level terms.

 So in the sliding scale tuition fee, tuition fee is charged according
15 to the household income, is what we are suggesting ...[intervenes]

JUDGE: Is this not a clumsy and somewhat uncertain way of determining the right of the student?

PROF. C. DE LA REY: Chairperson, that is why I am linking it, even though I have not done so in the slide, to the entire funding framework.
20 Because by sketching the scenarios earlier I tried to demonstrate that each channel of funding relates to another. So, you know, if I go back to the PIE chart, the more one decreases the more the other have to increase, in order to fund the full costs. So we cannot talk really about a sliding scale tuition fee model without thinking about changes that have
25 to be made to the entire funding framework.

Now there are three elements that central governments all over the world use to steer a university system in the national interest, or in the public interest. The three channels or the three legs of steering are typically your planning, secondly you can use your funding, and thirdly
5 you can use your quality assurance model to steer a system in a particular direction, and we could have a system where we use those three instruments in different ways to shape or reshape what South Africa may want over the next 20 to 50 years for the university system.

Now it has been done in other countries, for example, and we
10 could send information, where in your research intensives you may have a specific set of objectives that the country wants from those institutions. Government could say to us, university of Pretoria, you have a strong capacity to produce graduates in a certain number of professional degree programs, we are expecting you to produce this number and your
15 composition should be in this proportionality, and then the funding, the subsidy model could be realigned for that purpose.

But it would have to change the entire funding framework to look at a much more differentiated model for different types of University's, and even on an individual institutional basis, and we currently do this,
20 but we do it for enrolment planning purposes alone. Now what we could do is look at a much broader discussion on a five-yearly basis with our line government department, to look, not only at enrolment, but to look at what the graduation output is expected, what the research output and the way in which government funds us, and typically now we look at
25 enrolment in terms of race and gender, we can also look at enrolment in

terms of income levels, or family income for students. University's
...[intervenes]

JUDGE: Well it is not too difficult to determine people's race and gender, it is a lot more difficult to determine their income with certainty.

5 PROF. C. DE LA REY: Well, with respect, Chair, it is not that easy with race. Because we rely now on self-declaration. But we have systems in place as institutions, we manage in the last year, 45000 applications and we have a whole infrastructure that measures all sorts of information about students.

10 So there is an existing infrastructure that can be used, and if I move on, we are not suggesting a finely tuned one, but by certain ...[inaudible], and we can learn from other systems in the world where they have similar models in place on how to administer this, and how to do so efficiently and in a cost-effective way.

15 JUDGE: Alright, thank you.

PROF. C. DE LA REY: So I have moved to the next slide, but essentially what we are saying is for those who cannot afford, and I think, Chair, the very question I am posing is, a question of perhaps equity, where there are very wealthy people in our society who currently, when they enrol at
20 University's are paying a lower tuition fee that they have paid at school level, and my argument is that, can we not think in a focussed way about those who really cannot afford, and fund them at a level that enables their success. In other words, that they will graduate for a four-year degree within the four-year period. Because what happens if a student
25 is partially funded, it is a factor that impedes the ability to graduate within

the designated time.

So yes, it would require a change in the funding framework, it would require a change in our administrative systems. But if I look back over 108 years at the University of Pretoria, we have changed
5 administrative systems many times, and depending upon changing circumstances. So I think it is doable, I think we can learn from other countries and we can use the three instruments, the planning instrument, the funding instrument and the quality assurance instrument, to make sure that we produce an outcome that, where we avoid massification of a
10 university system, in other words rapid increases in enrolments, stagnating or declining funding which inevitably leads to a lowering of quality, which inevitably impedes the graduate's ability to secure good employment after graduation and ...[intervenes]

JUDGE: So is it correct to sum up your model as saying that it is a
15 model that involves the rich paying for the poor?

PROF. C. DE LA REY: It is - currently we have a model which we, in University's we call internal cross-subsidisation, and that is - if we think about ourselves as a society as a whole, you know, one could ask, what is the social compact in our society? Those who can afford to pay, I
20 believe should pay, and those who cannot afford we should assist them.

JUDGE: Yes, I am not uttering that as a means of criticising you in any way at all. I am just, in summary is that what you mean?

PROF. C. DE LA REY: Yes.

JUDGE: Yes, and now my next slide says Thank you. Is that correctly,
25 the next slide?

PROF. C. DE LA REY: Yes, exactly. Thank you.

JUDGE: Thank you very much to you, Professor, and your colleague.

PROF. C. DE LA REY: ...[inaudible].

JUDGE: No, not at all. You needed to present what you had and we
5 thank you for doing that.

PROF. C. DE LA REY: Thank you for the opportunity.

JUDGE: It is a pleasure. Any questions from the evidence leaders?

ADV. K. PILLAY SC: No further questions, Chair.

JUDGE: Thank you. Thank you very much indeed. You are excused.
10 Now Ms Pillay, tomorrow morning we are going to Vanderbijlpark?

ADV. K. PILLAY SC: That is correct, Chairperson.

JUDGE: And we are to be there at 10:00?

ADV. K. PILLAY SC: We start at 10:00, yes.

JUDGE: 10:00, and it is in the municipal offices?

15 ADV. K. PILLAY SC: ...[inaudible] I believe it is called the Quest
Conference Centre or something.

JUDGE: Quest Conference Centre?

ADV. K. PILLAY SC: That is correct.

JUDGE: Alright, I hope somebody remembers that. Thank you very
20 much. May I just ask one other thing. We were going to get a transcript
of the record each day. What happened about yesterday?

ADV. K. PILLAY SC: Chairperson, we have received a provisional
transcript for yesterday, and we seem to be receiving towards the end of
each day. So we will probably receive a provisional for today later

tonight.

JUDGE: Well I received a notification by e-mail asking me to correct it. Now I received that this morning, and when I was about to leave for Pretoria, and I am not sure that that is realistic.

5 ADV. K. PILLAY SC: No I am sure it is realistic.

JUDGE: Any more than that you should be asked to do that.

ADV. K. PILLAY SC: We will speak - I mentioned that the transcribers were having a little bit of a difficulty because of the use of the mics, and I think that has been sorted out now.

10 JUDGE: I understand that. But I will be satisfied if they do their best, and I am sure I will be able to make out what they mean if they do their best. So it does not have to be perfect.

ADV. K. PILLAY SC: Absolutely, Chair.

JUDGE: Thank you. Thank you, we will adjourn and meet tomorrow
15 10:00 in the wonderful city of Vanderbijlpark.

HEARING ADJOURNS

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DAY 2

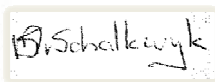
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1. This is a verbatim transcript.
2. Due to the fact that this is a true reflection of the record, and it is transcribed as heard, grammatical errors may occur because of the way role players speak throughout.
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P.O.BOX 17119, RANDHART
ALBERTON, 1457
Tel: 011 864-4061/ Fax: 086-503-5991
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