SUBMISSION TO THE FEES COMMISSION

Analysing discourse and giving solutions on free higher education

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Statement

I hold an MSc in Africa and International Development (University of Edinburgh) as my highest qualification. This is a submission in my individual capacity. I am currently a PhD intern in the Maurice Webb Race Relations Unit at the University of KwaZulu-Natal (UKZN). If called upon to appear before the Commission to make an oral submission to the Commission, I would be available to do so, at any time the Commission would deem it fit to do so. My preferred language of interaction with the Commission is English.

Introduction

The Fees Must Fall student movement has prompted new energy amongst South Africans to discuss the issue of access to institutions of higher learning, especially public Universities. Multiple voices have been heard; those in support of the movement and those dissenting with the aspirations to achieve free higher education in the foreseeable future.

In recent years, the Department of Higher Education and Training (DHET) has also been occupied with understanding the dynamics around access to Universities, with a strong focus on the question of affordability. Two reports in recent years were tabled to the Minister responsible for DHET, Dr. Blade Nzimande. The first was by the 2012 *Working Group on Fee-Free University Education for the Poor in South Africa* chaired by Prof. Derrick Swartz. The second was the 2013 *Report of the Ministerial Committee for the Review of the Funding of Universities* chaired by Mr. Cyril Ramaphosa. Other reports in the previous five years have looked at the review of student residences and the reviewing of the National Student Financial Aid Scheme (NSFAS).

This demonstrates the department's commitment to finding answers and gaining deeper insights into the implications affordability of higher education has to the development imperatives of the country. However, no significant demonstrable shift in how higher education is funded has occurred. Instead attempts to hide some of these reports (in particular the 2012 report) and not make them publicly available have been seen. The 2013 report ruled out the desirability of free higher education, noting that such education has both public and private benefits. Framed this way, the final conclusion was that individuals had to continue making a contribution towards tuition fees to 'compensate' for the private benefit derived from higher education. The Fees Must Fall movement poses a significant challenge to this interpretation and simply views Universities as a place that work for the public good.

Many other governments across the world have framed University education as such. This has propelled them to avail free quality higher education to their citizens. The South African public seems ready to build such a case for the government to strongly consider making higher education free. What is lacking is a platform for the interested public (visible and non-visible) to submit their views and have them collated into a uniform document that maps various scenarios. Such a document would serve as a 'Citizens Manifesto for Free Higher Education'. This proposal calls for the creation of such platform through a working group of 12 members that would receive, distill and represent the views of those South Africans who want to be heard on this issue of funding for higher education.

The national discourse on #FeesMustFall

Presidential Commission

The President of the Republic of South Africa, J.G. Zuma has appointed a commission of inquiry, with an eight months long lifespan, to be chaired by Judge Arthur Heher, a former judge of the Supreme Court of Appeal. The commission is tasked with the single issue of enquiring into, making findings and reporting (with recommendations) on “the feasibility of making higher education and training (higher education) fee-free in South Africa”, taking into account:

“1.1. the Constitution of the Republic of South Africa, all relevant higher and basic education legislation, all findings and recommendations of the various Presidential and Ministerial Task Teams, as well as all relevant educational policies, reports and guidelines;

1.2. the multiple facets of financial sustainability, analysing and assessing the role of government together with its agencies, students, institutions, business sector and employers in funding higher education and training; and

1.3. the institutional independence and autonomy which should occur vis a vis the financial funding model.”

This move will inevitably, as presidentially appointed commissions have tended to (both in the distant and recent past), put the issues around free higher education squarely on the national agenda for the duration of the commission’s life. This is no doubt one of the important results that have been produced by the #FeesMustFall movement and student pressure, on government, through various forms of protest action in Institutions of Higher Learning across the country. This move by the president eliminates some spurious allegations that have been made against the movement that they are acting under the influence of a third force that seeks to distabilise the country.

A commission of inquiry can easily be seen as political gamesmanship by the President, to buy time and minimise protest action targeted at the ANC led government in a local government elections year. Yet, proceedings of commissions allow as much evidence – for and against a matter – to be tabled in the public domain and create the most transparent platform for people to ventilate their views on a particular topic. Inaction on the outcomes of a commission is viewed with serious suspicion by the public and can easily lead to court proceedings against the president. Secrecy on a commission’s report equally invites public and interest groups’ pressure on the incumbent and eventually the report is released.

The South African higher education funding policy discussions

In the South African context, a window of opportunity to understanding some of the policy discussions around the funding of higher education is contained in two important Ministerial Committee reports and one Working Group report released in 2010, 2012 and 2013.

In 2010, the Report of the Ministerial Committee on the Review of the National Student Financial Aid Scheme chaired by Professor Balintulo, noting the funding challenge, warned that "the current higher education funding model should be radically revised to substantially increase the funding for higher education generally, and for higher education student financial aid specifically" (2010:xxii). Without calling for free higher education, the committee further stated that "if HEIs [Higher Education Institutions] are to continue to charge tuition and residence fees, substantially increased state funding for student financial aid will be essential". Supposedly paying heed to this call, the state injected substantially increased funding to NSFAS.

NSFAS allocation from Treasury moved to R9.5-billion in 2015, a significant increase for a scheme that had a budget of about R3.2-billion in 2009. However, even with this budget and funding increase, NSFAS was unable to meet its demand and accumulated great shortfalls that led to the financial exclusion of many students that are academically performing and financially needy. A 2015 Presidential Task Team on the Funding Challenges at Universities quantified the NSFAS shortfall at R4.582-billion. It is not too clear if this was just for the year 2015 or it encompassed some previous years.

The persistent funding challenge could be attributed to the manifestation of what the 2010 committee had warned about – HEIs continued to charge tuition and residence fees. However, the 2013 Report of the Ministerial Committee for the Review of the Funding of Universities, chaired by Mr. Cyril Ramaphosa, provided further insights about the funding pressures facing University students. Ramaphosa in his executive summary of the report admits that "between 2000 and 2010, state funding per full-time equivalent (FTE) enrolled student fell by 1.1% annually, in real terms" and that "tuition fees per FTE student increased by 2.5% annually, in real terms". This means to an extent government owes students for having filled the gap as it abdicated on funding duties through these years. Thus, whilst government increased NSFAS funding allocation, Universities were becoming starved in other areas of the funding model, yet enrolments were increasing.

Grappling with higher education funding issues, in its Mangaung 2012 elective conference, the African National Congress (ANC) concluded on a resolution that was received with alarm – a graduate tax. This would be a tax on newly employed graduates, in an effort to raise funds for NSFAS to ensure greater absorption of financially needy students. In everyday discussions, people point to corruption and inadequate funds for NSFAS as the problem. Thus, many believe that if NSFAS is corrected the funding problem will go away. This is not true, given the phenomenon of 'the missing middle' – those who cannot afford fees but are not 'needy' enough to receive NSFAS funding.

Trying to respond to 'the missing middle' question, the 2010 report stated that the R122 000 means test income per household threshold was inadequate to address challenges of affordability of higher education for many poor students and those from low middle class households. As a result the 2010 report made recommendations that were not fulfilled. A funding model consisting three components was proposed:

- Component 1 - Full state subsidisation of poor students and those from working class backgrounds, to be progressively realised over a specific period.

- Component 2 - Income-contingent loan scheme for the children of public sector employees earning salaries up to a maximum of R300 000 per annum.

- Component 3 - Income-contingent loan scheme funded by the state or other agency for students from lower middle-income families.

Instead of attending to this somewhat progressive proposal, the Minister of Higher Education and Training went on to appoint a working group chaired by Professor Derek Swartz to "conduct a study to determine the actual cost of introducing fee-free university education for poor people in South Africa…" (2012:60) furthermore the working group was to "suggest a definition of the classification of poor people in South Africa" (ibid.). The Terms of Reference for this working group clearly stated the need to consider the "missing middle" in deliberating fee-free university education.

The 2012 report supported the idea of fee free university education for some students. It defined those who should be eligible for free university education as students who "come from households earning less than the required SARS [South African Revenue Service] tax bracket, meaning that they will be required to make no household contribution" (2012:xiii). The report further clarified that those coming from "households earning between R54 200 and R271 000 (in 2010 prices) should be eligible for free university education in a similar manner, but should be required to make some household contribution" (ibid.). In addition to these, the 2010 report had also articulated poor students as those who hail from the poorest municipalities and/or those "who attended a Quintile 1 school and those who received fee waivers at other public schools" (DHET, 2010:xxii). These contextual points, beyond the household, seemed to introduce a thinking that extends beyond monetary income in evaluating what being poor means in South Africa. Let us be reminded that this 2010 report had already highlighted the inadequacy of the R122 000 means test household income threshold.

However, worryingly, the 2012 report (DHET, 2012:26) found that,

> Some universities and colleges apply the means test, but others do not, and even those which do, exercise institutional discretion in how they apply it. For example, institutions set their own income eligibility thresholds: what is considered 'poor' by one university may be considered well-off by another. The annual family income threshold for NSFAS students at the University of Cape Town is R250 000, at Rhodes University it is R180 000, while at the University of Limpopo and other historically disadvantaged institutions it is R122 000.

The Ramaphosa led committee's report of 2013 raised another sharp and important point about NSFAS, that "although the steep increases in NSFAS allocations are appreciated, the average amount available per NSFAS recipient remains well below the real cost of study: R15 855 in 2010 and R19 930 in 2011" (2013:394). The 2010 NSFAS review report had estimated the average full cost of study (FCS) per student to be R43 358. It implored that all universities be allocated this amount per student and that those (five of them in 2010) whose FCS (which includes living expenses) were beyond the average, should be prohibited from charging students for "the shortfall between the average and the FCS" (DHET, 2013:390-1). Under this reality of underfunding for NSFAS students, the historically disadvantaged institutions are the hardest hit as they have between 42% and 59% of all their undergraduate contact students being NSFAS recipients (DHET, 2013).

Despite the funding problems that face NSFAS, the institution of NSFAS is beset with problems and chronic challenges that have been unresolved since its existence. Instead, some of these have become widespread. These challenges were extensively canvassed in Prof Balintulo's 2010 report. They range from a crisis in governance to inadequate human resources capacity to lacking academic support for NSFAS students to poor debt recovery methods and appalling internal financial control systems, amongst others. Thus, ideas centred on utilising NSFAS as a vehicle for the dispensation of fee free university education could be short-sighted as they seek to trust an ailing institution with responsibility of national importance.

There is a need for the generation of more ideas. One of the shortcomings of all the reports looking at funding for institutions of higher learning is that they have not paid enough attention (and some none at all) on the need to grow endowments for our Universities. These endowments would provide universities with additional financial security, income and long term autonomy from government due to lessened financial dependability. Government can never abdicate on the duty to fund universities, yet there is good evidence that the South African government has slowly done just that. The 2013 report made an important finding that "in 2011 South Africa's state budget for universities as a percentage of GDP was 0.75%, which is more or less in line with Africa as a whole (0.78%). When compared to OECD countries (1.21%) and the rest of the world (0.84%), South Africa lags behind in this regard. Within the G-20 group of countries, South Africa has the lowest levels of higher education funding" (DHET, 2013:150).

It is this revelation that has generated public pressure for government to increase its allocation to universities and some have called for the apportionment of the national government budget to be scrutinised and reprioritised in order to realise free university education. Even the 2015 Presidential Task Team expressly stated, through a Presidency issued media statement, that there is a need for reprioritisation from the fiscus in order to avail more funds to universities.

The call for a progressive realisation of free higher education is not a pipedream. It can be done if we choose rightly, invest properly and showcase the requisite political will to deliver dignity and pride even to those who are rejected by the higher education system. Simply because they cannot afford.

My proposals to the commission

1. Money should be sourced from the Skills Development Levy. Treasury's budget office head, Michael Sachs, indicated (in October 2015) that there is currently an extra R1-billion that was unexpected (http://www.bdlive.co.za/national/2015/10/21/skills-levy-could-be-used-to-fund-students-says-treasury-official). The SETAs have been unable to spend, in full, monies generated by the Skills Development Levy. There is no wisdom in allowing money to remain in coffers, unused, whilst there is a demand elsewhere within the Training sector.

2. Government must negotiate for Treasury to double the percentage of GDP spent on Higher Education from 0.75% to 1.5%. This way the entire budget for Higher Education will increase, assisting us to channel more money on the development of lecturers, tutors and adequate ratios of academics to students, further bolstering the potential for achievement in our institutions. Such an increase would put us on par with some of our brothers and sisters in the African continent in terms of what they spend as a percentage of GDP on higher education. Such an increase can come from reducing percentage of GDP spent on the SANDF – we need a military but we are not imminently under threat to go to war.

3. Currently we need about R22-billion per year from government in order to cover tuition fees fully for each student. Government must demand that on all mega infrastructure built projects, such as the ±R827-billion over three years of the Presidential Infrastructure Coordinating Committee, 10% is directed towards the development of human resources for their upkeep and maximum utilisation. This project alone would have generated R82-billion. The mooted nuclear built project would generate R129-billion. Both these are enough to cover at least ten years on free tuition for all. Adding the prospects of spending on the 2022 Commonwealth Games and other Transnet projects, the possibilities are endless.

   Where would the shortfall of 10% for these projects come from? The suggestion is that Treasury should work on a regulatory framework to cap costing on the tendering process. It is an open secret that most civil, earthworks and construction companies including surveyors and project managers are overpricing the government to extract exorbitant profits. A move to cap costing would significantly reduce the cost of projects. This would not be anti-competition; it would be in the best interests of fiscal prudence. In some instances now, companies charge government double the market value for some goods, materials and services.

4. The majority of our Universities have poor endowments (investments, property and other income generating assets) and this sets them back in their ability to raise extra funds on the capital markets or to even draw significant third stream funding that carries little obligations either than those determined by a University Council. The success of many institutions in Europe that offer Free Higher Education rests on high levels of endowments. The proposal is that: government through parliament must legislate that all previously successful Black Economic Empowerment (BEE) and Broad Based Black Economic Empowerment (B-BBEE) beneficiaries [individuals (e.g. Ramaphosa) or companies (e.g. Wiphold)] must give 10% of their shares as endowments to Universities. The Historically Disadvantaged Institutions (HDIs) should receive priority as they currently rely on government funding for almost 80% of their income with little third stream funding available to them. A grading scale to equalize incomes (especially the percentage contribution of endowments) of institutions should be implemented.

5. A percentage (to be determined) of Corporate Social Investment (CSI) budgets of companies with an annual turnover of R50-million upwards be set aside and contributed towards higher education, annually. Alternatively, an increase in their percentage contribution to the Skills Development Levy. These companies already set up bursary schemes under the current funding model regime and this would fall away in the event of free higher education. But as beneficiaries of knowledgeable and skilled graduates they should contribute endlessly to higher education.

6. A five yearlong 1% annual tax on wealthy individuals and corporates. This tax should then be collected into a central pot to be managed and invested by the Public Investment Corporation (PIC) on behalf of Universities. The income derived from the investments should be disbursed by the Minister strategically to Universities to meet the growing and competing demands that align with strategic community and national goals.

7. Government must move speedily to revisit the implementation of a once off tax proposed by the Truth and Reconciliation Commission. In so doing the government would target companies that operated and those that still operate within its jurisdiction that derived their wealth from directly or indirectly aiding apartheid. This tax would be cordoned off for investment elsewhere to grow within a period of ten years. Whilst the cordoned off tax accumulates, the government should negotiate with the International Monetary Fund to restructure the debt of the country, taking into account that the 1994 democratic government took onboard an odious debt inherited from the apartheid regime. Debt servicing alone hits over R100-billion. A reduction on it could go a long way in assisting South Africa afford spending in priority areas such as Higher Education. It is true that the debt is not all squarely owed to IMF but this institution remains appropriate as the first point of call.

8. Government must finally set up time frames and targets to get its supply chain management house in order. Year in year out public funds are expended in illegal, illicit and corrupt ways. The Auditor General of the country tends to be the bearer of bad news more than being one who paints a picture of a country that handles its finances with great care and commitment for development. A lot of money is lost to categories of corruption and mismanagement. Reducing on these, significantly, could lead to a country that is developing sustainably.

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