

24 August 2016

Ms G Ncongwane
Secretary of the Commission
Commission of Inquiry into Higher Education and Training
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135 Lilian Ngoyi Street
Pretoria

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Dear Ms Ncongwane,

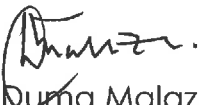
**UNIVERSITY OF KWAZULU-NATAL SUBMISSION TO THE PRESIDENTIAL COMMISSION
ON FEES IN HIGHER EDUCATION**

Kindly find attached the submission of the University of KwaZulu-Natal (UKZN) to be presented to the Commission on 29 August 2016.

Details of the University's delegation have been provided to the Commission's Secretariat already.

Please do not hesitate to contact us should you have any further queries.

Yours sincerely,



Dr Duma Malaza
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**UNIVERSITY OF KWAZULU-NATAL SUBMISSION TO THE
PRESIDENTIAL COMMISSION ON FEES INTO HIGHER
EDUCATION AND TRAINING**



Dr Albert van Jaarsveld (Vice-Chancellor and Principal)

24 August 2016

University of KwaZulu-Natal

Submission to the Presidential Commission on Fees in Higher Education

29 August 2016

The University of KwaZulu-Natal welcomes the opportunity to make a presentation to the Presidential Commission on Fees in Higher Education.

The University fully supports the constitutional imperative: "Everyone has a right to further education, which the state, through reasonable measures, must make progressively available and accessible." - Bill of Rights, Chapter 2 (29b), Constitution of the Republic of South Africa, 1996.

We first state key principles that underpin our proposal to the Commission. These principles are informed by the view that higher education serves both the public and private good and that its costs must be shared among its key beneficiaries, mainly government and students. Higher education is, if not the best, one of the best investments the individual and the nation can make.

Principle 1: Adequate government funding for the public good.

Public higher education should be funded appropriately by government because of its key role in providing the human capital for national development. Over the lifetime of each university graduate, the country is likely to benefit from:

- Lesser social costs incurred from spending on social assistance programmes and grants;
- More tax revenue from higher salaries of graduates; and
- More civic participation by graduates through, for example, civic leadership and volunteering.

The decline in the level of government funding for higher education in the last decade is by far and away the most worrisome factor facing universities. Indications are that government contributions to university education declined from 49% at the beginning of the century to 40% by 2012, while the burden on students increased from 24% to 31% during the same period¹. This has made tuition fees an important and critical aspect for university funding. For UKZN, tuition fees, which currently account for about 33% of the total income for the University, is threatened by increasing levels of student debt. The level of private sector support has not compensated for this loss of income. These trends pose a risk on the University's ability to produce an educated citizenry and are weakening South Africa's ability to compete in the global economy. Public higher education cannot over rely on donations and support from the private sector.

The important consequences of declining levels of funding have been:

- **Tuition fee increases as a means to make up for the reduction in state subsidy.**

Universities have come to rely on tuition fees as a cushion against decline funding levels from the state. From 2010 to 2012 tuition fees at the 23 public universities in South Africa increased by 27% from R 12.2 billion to R 15.5 billion, while enrolments only increased by 7% during the period. At the same time, student debt rose from R2.6 billion to R 3.4 billion – an increase of 31% over two years². A scrapping of tuition fees without a concomitant increase in state funding would leave universities with a major revenue shortfall and will in due course result in declining student intakes.

- **Negative impact on access and quality of outcomes.**

With less money to spend on teaching staff, Universities have not been competitive against other sectors in hiring and retaining staff. As a result, the growth in student numbers has to outpace the growth in staff numbers, leading to high student to staff ratios, with a negative impact on the quality of teaching. This has also resulted in cutbacks on student services, lower graduation rates and a growth in student debt as students stay longer in the system.

Therefore, pressure to keep tuition fees low or abolished, combined with declining state support on a per-student-basis, will put universities at serious financial risk.

¹ www.pwc.co.za/.../funding-higher-education-institutions-SA.html

² DHET 2010: Audited financial statements of the universities for the period 2000/01 to 2011/12

Principle 2: Paying for the private benefit.

Higher education offers distinct private opportunities and privileges to its recipients. The latter should therefore bear a proportionate cost for its provision.

The important individual benefits for university graduates include:

- Increased employability and earning potential;
- More benefits at work and higher pensions; and
- Better recession protection because the employment rate of graduates tends to be less affected than that of groups with lower education levels during times of economic recession.

Principle 3: Ensuring equity and fairness.

There should be equity in the system in terms of a balance in bearing the costs for the public and private good. Free education will benefit the rich more than the poor because a large proportion of students from high income families attend good schools and easily qualify for university entrance as compared to students from low income families. As a consequence, fees should be an essential part of an effective and equitable funding system for higher education with mechanisms in place to ensure that needy students are not excluded for reasons solely based on affordability.

In accordance with the principles outlined above, access into higher education has to be partly governed by tuition fees. Unlike some developed countries that offer free higher education, Germany for example, South Africa does not have a strong or broad tax base and economic growth rates to sustain free higher education. If free higher education was to be offered, it would be at the expense of other national imperatives such as, for example, the provision of universal quality basic education and the provision of quality health care for all its citizens.

Proposal

We propose a two-components model in order to ensure a just and equitable system of a fee-based higher education system. This proposal reinforces the principles outlined above.

- **A grant component**

A government grant to support the poorest students for a maximum of, say, five years, only for the undergraduate level of study. Unlike a loan, the grant is not to be repaid. The means test (e.g. < R 150 000/annum) should be linked to the social security system and the family income and tax filing status. The major weakness of the current NSFAS scheme is its reliance on affidavits for the confirmation of parental status and financial status of applicants.

- **Income-contingent loan scheme**

A government loan that is repayable upon employment by students that earn above an income threshold (e.g. > R 30 000/ month). All students who fall between means limits (e.g. R > R150 000 but < R 500 000), who qualify for university entrance will be eligible for the loan on a sliding scale basis, with bigger loans to the poorer students). To be effective and efficient, the loan scheme should be repaid through the South African Revenue Service. The graduate's income and tax filing status will to determine the repayment amount. Families that can afford the university fees should be encouraged to pay upfront to avoid future liabilities for their children.

Failure to put in place a resilient funding base for universities, with strong government support, supported by an appropriate fee component and, will result in a declining university sector. This will create space for the emergence of a private higher education system that exclusively serves the wealthy. In addition, a higher education system that is exclusively state funded will take away any incentive for higher education institutions to diversify their own income streams and to attract private sector investments and donations. This will be a devastating socio-economic outcome for the country, with high performance private universities (with high fees) and lower performing free state funded universities.

END.