

06. Sept. 2016

Pillay:

Good Morning Chair

Chairperson:

Are we going to begin with University of Stellenbosch?

Pillay:

We are just the presenters from the University to put themselves on record

Chairperson:

Thank you, welcome gentlemen

Villiers:

Good morning so I am Wien de Villiers on the director and vice chancellor of Stellenbosch University

Lombard:

Moonie Lombard, the Chief Director of finance at Lamars University.

Chairperson:

Would you go ahead with your presentation?

Villiers:

thank you very much a person we thank the commission for the opportunity to make a submission to the commission of enquiry into Higher Education and Training and as we understand this is the first set of hearings and we want to provide an overview of the relevant issues from the various organisations, you have received an electronic written submission from Stellenbosch University is well and this was prepared by the finance division at Stellenbosch University so as stated in the director and Vice Chancellor and I will also be assisted by Mr Manie Lombard who is the chief director of finance. Our presentation will be about 35 minutes or so to leave some ample room for questions. thank you very provide an overview of the agenda we will discuss briefly in the introduction of Stellenbosch University is broad support for the sectoral approach to the issues at hand I will provide a brief international context, a South African context, the Stellenbosch University perspective specifically and some recommendations if we If we made I think you over the course of the past few weeks if you certainly heard quite a lot and maybe enough about it what a critical juncture we are at regarding a higher education in South Africa with a general features in the sector as determined by a number of issues in the South African political arena, the realisation and of the that we live in a very unequal society in in South Africa and that the more than 20 years after democracy we still have a lot to do that over the last few years and especially last year instability in protest and term well in the higher education sector in virtually all the 26th a public higher education led to damage to property and it it is really, culminated in significant threat to the academic project our core mission and also the threat to financial sustainability and we want to positive that a significant chronic underfunding over the last two decades have really resulted and contributed to where we are at present, to a significant sense. so in terms of a to get away from the generality is a little bit to speak to what we would see as the sectoral needs in the immediately short term for 2017, Stellenbosch University is broadly very supportive of the BBM submissions that were also made to you by Yusuf University South Africa as well as the Council of Higher Education and that is that for stability in the sector to prevail and to carry forward is that that an income increase is absolutely essential agree that at least and 8% increase in income across the sector would be required this can certainly come from a variety of income sources

Chairperson:

it's become apparent to us that they are very different individual needs in respect of the university, when you speak with an 8% increase across the sector do you contemplate that it would be an even 8% for everybody or that there will be differentiation?

Villiers:

I will address that a little bit later on in my presentation when I come to the Stellenbosch University perspectives specifically it so but as you say this is the income sources could be State subsidy, it could be at two student tuition fees and a complex array of other private sources the private sector; financial sector it safe important. Is this at least eight percent increase is that 8% will only really sustain the status quo this does not allow for any further growth in the sector any further investment here also in in in our institution and then that the situation of a less than 8% income will really have an immediate impact in media deleterious and severe impact on the sector and it's have been stated previously it could seriously compromised 17 our of the of the 26 institutions relatively immediately. In terms of the in this is this is not a uniquely South African issue we need to also have an international perspective. because in a very insightful text that we use also for or preparing the submission is the creator or book work done by Johnston and Makhutsi has stated that the bottom here on financing a higher education worldwide who pays and we should pay and it's the forces that are impacting international higher education from China, Japan, Europe, UK, the USA are the issues of surging enrolments and enrolment demands, the increasing costs and the revenue needs are increasing globalisation and declining government revenue economy taxes competition for these resources so these financial challenges not necessary limited to South Africa when we think of Higher Education and general as in in terms of what we would like in higher education talk of an a so called an iron triangle where they were the tips of the triangle have at it. Would be access and the other.

Villiers: *Continued*

Would be costs and the third one would be quality these this Iron triangle is a very rigid structure but it's also under significant attention so that if you change any two of those parameter is it could have a very significant effect on the Third for of access and costs will have a significant have a significant impact on quality or if you just focus on quality in may have an impact on Access and cost to this 30 modalities in 3 points are very important to consider. the International context and who is playing who should pay what is clear in this text and when one reviews The sector as a whole world wide and also in South Africa is over the last two decades is it's clear that a significant shift has occurred so there's a shift from payment from the government and government worldwide but also South Africa and taxpayers to students and parents so this shift has resulted in insignificant cost sharing so that cost sharing model is that where did the higher education costs of borne by the government and taxpayers students and parents and also philanthropists and Industry. we are suggesting that this is a universal phenomenon and then it's not an something that's necessarily that is not inherently bad because the cost sharing entails it speaks to the principle that higher education at its base is both a public and a private good so that it makes sense that they should be some cost sharing but we are not suggesting that this cost sharing by students and parents or should replace government revenue it should augment and it shouldn't- should absolutely not replace government revenue-

Khumalo:

Sorry just philanthropy in this instance will be?

Villiers:

it's a philanthropist- be so if you if you think of what we would call the income streams of the University of Pacific leaves Stellenbosch University so the first income stream would be State subsidy the second income stream would be student fees deferred income stream is in an hour context we talk about a research- contract type research on the fourth income stream is philanthropy the fifth income stream is what we talk about as a commercialization of intellectual property things, in terms of philanthropy which would be donations by other individuals or Foundations as a percentage of wants total budget of the various goals- we not nearly as well developed as an example institutions in United Kingdom or America.

Khumalo:

So your alumni would form part of philanthropists?

Villiers:

Yes

Chairperson:

This cost sharing, is it supplementary to government revenue which you suggest it's reasonably universal. I take it that the form that it takes, the balance between contradictors will depend upon the socio-economic circumstances of a particular country that is involved?

Villiers:

That is correct, so depending on developing or developed it may vary to some extent it also depends on the access if you want it when we come back to this to this triangle concept access-costs-quality. So in in terms of the South African context I'm going to ask Mr Lombard to speak to that.

Lombard:

thank you chair: Prof- Villiers referred to The Chronic on the funding of Higher Education over the last two decades specifically if we look at the state subsidy in real terms comparing to the consumer price index in what we have indicated there is that without taking into account the growth in numbers enrolment numbers and outputs especially if you look at 2016 2017 we can see their than at the increase in a blog Braun for 2016 is 5.5% of the CPI for 2016 6.8% and if you look at the projections for 2017 it's 5% for the block Grant in total and the projection of CPI of 6.42% if we then look at the state funding compared to the higher education price index know that was the story done by the bureau of market research of Unisa for the event called Higher Education South Africa in 2014 and take calculated and 18 of the university is participating at study education inflation is an average 1.7 percentage points more than the consumer price index. If you then look at the higher education investment as percentage of your growth of domestic product we see that South Africa is lower than the bricks and the African countries, it was in 2012 at .71 currently stands 8.75 percentage points and compares it to the UK at. 9 Germany 1.1 as shown their you can see where we are on the lower end of that-

Chairperson:

I think almost every representor has quoted the statistics and we beginning to believe there might be something in it

Lombard:

Then the result of that if you look over a longer period from 2000 to 2012 that shifted takes the Prof Villiers referred to the state contribution at in 2000 was 49% and it's in 2012 40% whilst the student fees growth from 24% to 31%

Pillay:

a question about the slide- when you set out the state contribution what is it that you take into account is it only the block grant and ear marked funding or is it said contribution to each of the three streams..

Lombard:

It's a full state contribution for higher education.

Pillay:

So including for example, contribution via the NRF to the third stream via NSFAS to second stream?

Lombard:

Not the NRF but NSFAS and the ear marked grant yes,

Pillay:

So this doesn't include any state contribution to third stream income?

Lombard:

No; that then is also within the requirement for increasing your intake student enrolment, your throughput and then currently where we can we got the uncertainty in terms of the subsidy formula and timelines for that and also for implementation of it and the effect that will have on the higher education we got the problems the current problems with NSFAS administration in and then the zero percent increase for 2016, have accumulative effect even after 2019.

Ally:

Perhaps you can expand on your subsidy formula and timelines it's cause and certainty what is a subsidy formula, what does the timelines that cause this uncertainty?

Lombard:

There was- the Ministerial task team that letered the revision of a subsidy formula so we know that it's-

Ally:

Which subsidy formulate? We don't want to get confused with it because people might regard NSFAS as a subsidy so which subsidy are you talking about within the higher education sector?

Lombard:

This refers to the block grant. Then the last point is at 0% increase

Ally:

No you say it's a block grant you haven't told us what you mean by the uncertainty in respect of the formula and the timelines

Lombard:

a document was released, a concept document on the revised subsidy formula with indication that the level be a time for the sector to give several inputs on that and then the implementation will be 3 years from the time that is been gazetted. So that's the uncertainty we don't know what will be the impact of the subsidy formula and when it will be implemented

Ally:

That can't be right. when you doing your plan you got your real planning that you do on the fact that you know and you got your contingency planning on the fact that you might know and don't know. So it's not that you not certain; you not certain if you will get it but you have plans in place for that eventuality also isn't it?

Lombard:

Impact the rand value impact of that subsidy formulas not yet known to us and that's the uncertainty, we do you normally we do project planning for a 6 year. To determine sister or ensure sustainability. And indications and we don't know if it will be implemented in that format but the first indication see if you do the calculation if that is that it can have an effect for Stellenbosch University of up to 180 million, negative on a subsidy

Villiers:

maybe to add to that advocate Ally, the initial look at the proposed subsidy formula is that for a university such as Stellenbosch University which will allow you to a later on again that is a very much a research intensive University the substitute formula will impact that adversely because it has shift from the science, technology, engineering, medicine disciplines

Ally:

Well when you deal with it then you can deal with the NRF and how they align with your particular program cells but we wait for that particular.

Khumalo:

When you get to that point Can you maybe it is a present to us what would be the possible solutions to that and uncertainty going forward, the possible solutions on your side.

Lombard:

We will then move to the Stellenbosch University specific perspective and the Prof de Villiers will take it from there

Villiers:

thank you very much to go provide some specific perspective on our institution some brief points on this is to give you some background is the that we have more than 30000 students this year enrolled and the breakdown between undergraduate and postgraduate is also important so we have about the 35% of the students are on postgraduate- which really emphasizes the point that that Stellenbosch is increasingly a research intensive institution because as you rightly mentioned is that South African universities differ quite substantially in shape size and composition and also in in student fees it we come back to that, it's interesting to note in a in a ranking order of student fees Stellenbosch University is fees are around about 6 to 28 for in the country for most of the disciplines but university is a very high research output very good number of rated scientists we actually produced a record number of PhDs in in 2015 and in as you can see in the top left there we have to have a first year pass rate of Nearly 87% of our first year students go onto their second year in this is as opposed to 50% for the sector as a whole. so there's a very large number of innovative academic student support services and these are not funded appropriately, this is not supported by government Grants so if one looks at our at the research output is really per capita is the highest in the country per Faculty member and coming back to what do miss Khumalo asked about the different revenue streams in terms of intellectual property over the last 4 or 5 years we really move significantly in that into that area where we have 84 patterns that have been-

Villiers: *Continued*

Registered which is actually if the most of any institution in in South Africa more than CSIR and Sasol for example. O it partially answers your question of comes to the address your question are we know there's this The Squeeze on different revenue stream so we need to look at alternatives to make up some of the revenue so that we can indeed continue on what we see ourselves as a as a research intensive university contributing significantly to the postgraduate market in in a higher education but that we also needs to can't take into consideration that doing this sort of work and doing this knowledge generation is there a significant than their particular aspects to that in terms of high research costs -

Pillay:

When we approach the question of Stellenbosch University higher education to the poor and maybe get a case to the steps that you're university is taken to ensure that that is done

Villiers:

I would address some of that later on we have slides with that that that would show exactly that and perhaps in the next slide I can I can just speak to in terms of Higher Education postgraduate qualifications in an end exactly that mode is the factors that drives us for this for the hire a research costs would include that this high the research income also requires top scientists and top class facilities because what we feel there's no question about it is that if you have top scientists, who build Critical Mass around their respective Fields of expertise that they act as role models and really as sponges for students coming to the server Spectre Fields from all from all areas and for all for us so we have pipelines in in in different in different areas both our own institution but also other institutions including a coat a great number of historically disadvantaged institutions and also a on the African continent. in terms of the faculties that we have that also contribute to the high research costs would-be medicine and health sciences we're more than 4000 students are in in in those in that Faculty science and also Agri sciences where one of the fuel universities that actually have Faculty of agri sciences and I'll Faculty of Engineering also has almost 4000 students.

Villiers: *Continued*

to address the issue 20 talk about research cost in to come back again to the funding stream aspects of the third funding Streamwood me research and research contract so do to address the issue that is possibly a misperception of a well-funded institution, yes in 2015 Stellenbosch University processed 850 new research contracts valued at 1. Almost 1.2 billion rand. This is typically spread of the multiyear-

Khumalo:

Yesterday representation from the research- NRF and they indicate that they get funding for research from post graduate so does that impact on the undergrad in the context of the cost you talking about?

Villiers:

So did you finish the tough on the 1.2 billion so what this really is and it includes money from the NRF. it's not the dominant it's not the dominant type of that NRF money but that's really money in money out that 1.2 it's not money- it's you got to spend it on those specific it's a marked and restricted to the specific used for those contract sum of those moneys do include funding for Postgraduate students submissive up Postgraduate students are actually a pretty well funded for their studies where we were we really And as I say that in the second last bullet point the research funds and whether we get funds from overseas Foundations from the EU or the NiH or things like that they would they would fund Postgraduate students to a main points of our plea hear and what we doing it tension to is that we need an increased income is specially for undergraduate bursaries and loans

Chairperson:

A research contract is that where somebody employees you to investigate a particular field or question?

Villiers:

Exactly

Chairperson:

And then pays you for the for the outcome or do you obtain the benefit of the research or quit how does a research contract work?

Villiers:

it can it can work in in in different ways in a higher education what we would do and then I think most higher education institutions will do it that way is that we want to ensure that we don't do research a contract research Willy nilly we always very careful about maintaining an academic footprint so that you have control over the Over the E both the intellectual property that it at the generation of knowledge and they also serve your purpose to look at this point where undergraduates can come into postgraduate do the honours Masters PhD is in some of those feels so it's not really but you just do something and you give them the information access deeply imprinted and embedded in in the academic footprint.

Chairperson:

And it is usually something that will have a specific spin off for the person is put the money in?

Villiers:

It-

Chairperson:

Or is it more than philanthropic payment?

Villiers:

It can be both. It could be a mixture of that. For sample if the if the gates foundation gives us money to research a different treatment regimens for tuberculosis or tuberculosis meningitis that has a very much eh it could be a public law also be a of benefit to pharmaceutical companies if they should want to use that knowledge. The Mellon foundation funds as on for example and Africa open Institute for music - graph that is a that is a different it-

Chairperson:

Is not necessarily something in which where the person paying for the you research requires Payback?

Villiers:

Correct. in terms of The Chronic under funding by steps up to these we also need to look at what is happened in terms of mission Creep over the last two decades and period of time that we have increased expenditure without subsidy and that would for example include as in the first bullet point here Stellenbosch University is celebrating it's 100 years Centenary in 2018 so aging buildings and facilities maintenance backlog due to too underfunding has been a significant underfunding with regard to infrastructure of the last number of years he is also the-

Chairperson:

Did I hear you correctly in describing this as mission Creep?

Villiers:

mission creep in in in in terms of what is the core of what we do at the University and we would pass it that it's teaching and learning it's a research and buy those to its social impact and transforming society and also being transformed by Society at the same time so we are increasing be nice to look at other things as well outside the score mission for some example questions of the looking towards the infrastructure of maintenance and handover going to that and also the second point Is the issue regarding insourcing and outsourcing so at Stellenbosch we are of philosophy has been that we looked at this it will look towards viable sourcing so what is viable sourcing mean? so we've over the last year and 6 months and task groups where you forget the come to agreement with our work with service providers and outsourced workers that we've faced a Thorium on outsourcing but each contract as it runs out will be reviewed very strictly to look at work with a guide to a brick principles whether is viable is viability in terms of would it be better to insource at that point or would it be better to outsource and we place over emphasis on the on the on the question a really deep emphasis on the question of Human Dignity that there should be a liveable wage for farm workers and so there for-

Villiers:*Continued*

We agreed to a minimum wage farm workers and it's been implemented this year and the concept of viable source he has that has resulted in a 20 million rand ticket price for us. additional services that also result in increased expenditure without services would be those with regarded to steal Mobility safety and security and also as I allowed to earlier on the question of academic support services in our extended degree programmes et cetera because we have some because of the inadequacies currently in the basic education system under prepared school leavers who really bridges this Gap

Chairperson:

is this a matter which you discuss with your fellow University because it's a problem which is confronting many university is there a focused attempt to answer this problem or do it go your own way?

Villiers:

to be quite honest, we do discuss this a great deal at usaf and I think we have they were gotten much better in terms of a sectoral approach to many things but in my mind this is such a huge issue it is so difficult there so many facets to consider that we that in addition to having an overall approach to it will all find chip away at the end in in in some way for sample as a yes very extended to supported at Stellenbosch we have extended degree programmes we have programs in our Faculty of Education recall skin matters where we really focus on learners in terms of developing science and math skills we have a program that's called sunset where we look at education leaders in secondary education leaders developing because we believe that a good school is really it's the is a principal is the leader in the school that determines the success of that school so we spend of a great deal of effort in that regard but I think all of the institutions do that in in in some individual ways. to get back to how do we how do we fund our poor students and how do we assist them and that is where we were really used bursaries as a very strategic instrument because we know that the sum in a higher education that can pay in society that can pay for higher education others cannot.

Chairperson:

You use bursary as a an repayable advanced?

Villiers:

It's a combination of both bursaries and loans

Chairperson:

Not necessarily based on merits or scholarship?

Villiers:

that's correct, it's also merit and what also is called recruitment bursary specially for prospective students from the designated groups to enable them rand to recruit them to come to Stellenbosch it says for those students who are academically eligible but we follow a differentiated approach so it's differentiated approach and that is really at the crux also of are recommendation to the commission that we want to provide financial aid to the poor and academically deserving students by using a differentiated approach a sliding scale according to combined annual household we know that those with a family combined income of 600000 rand per annum plus they are in a better position to pay tuition fees and will provide some examples of that then we did the group between 122 to 600 the missing middle so the group between 240 and 600 K are able to offer variable Stellenbosch University support. The group hundred 22 to 40 have significance support complete support from Stellenbosch University and but the income less than 122 that's when the NSFAS comes in I think. It's ok to interesting to statistic and then I think its why

Pillay:

May I ask question on the last bullet point 4- now we know that there are instances where NSFAS allocation is not sufficient to cover all of the students who fall within that particular category within the university? Does Stellenbosch find that happens that your NSFAS allocation is insufficient and are you able to top up?

Villiers:

Correct and well show an example in a scenario of that. It's also important to-

Pillay:

I just want to get a clearer sense as to how big be the deficit? In other words many students do you have would fall within that bottom end- category?

Lombard:

I will address that now in my part of the following presentation.

Villiers:

just to end off on the- an important statistics and statistic and why this would the 0% fee increase last year I think get a particularly perverse effect in because what we are trying to point out here is we using bursaries as a strategic instrument to support the poor so there's Great cross subsidization that occurring from the be paying students to those who do not. So for example of a total tuition fee income we pay back about 55 to 60% to in financial aid in financial support.

Khumalo:

Are your bursaries exclusively based on the cross pollination or are there any other sources you rely on?

Villiers:

I'm sorry Mam' I did not quite get that

Khumalo:

I'm saying the bursaries that you saying you source the funds from the tuition fees and then you substitute- is that how it works?

Lombard:

Ill address that now within this. I can give you the statistics for Stellenbosch specific in terms of the bursaries that's all 2015 figures. 38% of our undergraduate students receive bursaries and that covers more or less on average 76% of their student account. again of the question that was raised earlier 70% of our undergraduate student from the designated groups receive bursaries so the total bursaries paid was 658 million and that's just over 55 percent of total student fee income. Now if I split that open referring to your question also 402 million of that 658 million is from own fonts and the research contracts.

Khumalo:

Just on that research contracts- would it be undergrads or postgrads?

Lombard:

In terms of research contracts that's mostly postgraduate, so this is-

Khumalo:

Is it mostly or just postgrad? Is there a research contracts for undergrads at all?

Chairperson:

May I ask a very blunt question; and that is it correct that the more bursaries you provide, the greater the fees paid by those who don't receive bursaries?

Lombard:

That is correct

Chairperson:

There is a correlation?

Lombard:

Yes there's a correlation.

Chairperson:

So far as the poor are receiving bursaries, the rich or the richer are paying for those bursaries in the sense of increased fees-

Lombard:

That's correct. For portion coming from our main budget is 115 million so for that portion definitely yes.

Pillay:

I'm still trying assess to how accessible Stellenbosch University is the poor but I don't see on the slide a reflection of your total student body what percentage qualifies the NSFAS funding, what percentage Falls between the 122 cap- below the 120 cap.

Lombard:

Can I just go through- it's about three slides were I think I'll the address most of those. so in terms of the 658 million total bursaries paid in in 2015- the 402 from own fonts and 255 million is what we call where we act as agents know that including your NSFAS. If I just-

Pillay:

Can I just ask question about the second bullet point on the previous slide where you said 70% of undergraduate BCI students receive bursaries. Are those BCI students don't receive NSFAS funding?

Lombard:

Including NSFAS.

Pillay:

And you said that it's only covering 70% of the tuition fees?

Lombard:

On average 76% yes.

Pillay:

The remaining amount? How is that funded?

Lombard:

Again I'll show you examples and that will be clearer. Further to show the point that the university is increasing its bursary as a percentage on graphs from 15% increase in 2011 to 17.7% in 2015.

Chairperson:

In a sense that you said. That would contribute to the increase in student fees. For those who pay fees.

Lombard:

That's correct,

Chairperson:

They would pay more than they would normally pay because of the increase in bursaries?

Lombard:

that's correct- I think this will also address some of the questions in terms of the bursary applications at Stellenbosch in that four different categories in other words if you look at the total that we received is 1642 bursaries and of those just below 1950 to be exact was in the category of combined income below R122000 per annum. now that if you just take the average for that 81 million it's roughly bursaries on average of 85000 for those not 950 applicant, the second group 242 - 123 2 240 combined income that's the above the NSFAS threshold Stellenbosch also support those students were fully that's 457 students that's roughly 61000 as a bursary and the reminder 4th category that we can't support fully because of financial considerations is there a 241 to 600000 combined income. 235 students and that roughly comes to R40000 so if you look at the different categories you can see for the lower income combined income though it's almost the fully supported amount of 85000 the next get category is 61000 and the next category is 40000

Chairperson:

So that figures the bottom is 119 151 000?

Lombard:

That's correct in total. Again the question asked where you can see are undergraduate bursaries that 367 million of the total bursaries of 658 million for 2015 and we paid 68% to the designated groups.

Pillay:

I'm not sure are those slides that you said would you answer the questions-- I've been I've been asking relate to the percentage of students of qualify for NSFAS- your total student body and not amongst applicants for bursaries

Lombard:

If I just go back to the previous one- that's the 950 students the category from zero to hundred 22000.

Pillay:

And a percentage of that again student body?

Villiers:

So that the total undergraduate is wrong about 60500 also 18th. 65500-

Pillay:

And of that 950 are NSFAS students?

Lombard:

Yes- what we've done in the next two slide is to give you the effect on our budget for 2017. for The Adjustment in student fees in other words if we If we have a 0% adjustment and that's with no increase in any activities it's just on the same activity level of activities will have a deficit budget deficit of roughly 50 million in the second column we show what will be the effect if it's adjustment just with a CPI the 6.4% that'll be just below 10 million deficit and if it's adjusted with the higher education price index in other words the CPI + the 1.7 percentage points roughly 8.1% we will more or less break even. so That's what we call the main budget for academic project and then the accommodation budget again the 0% increase will have a 35 million deficit in other words we'd be looking at a total if it's is 0% increase of 85 million for University. accommodation fees increase by CPI will be 18 million deficit and if it's increased by the higher education price index it will still be a deficit of 13 million and the reason for that being that if we look at accommodation as a budget on its own and because we tied into contracts for the delivery of food for instant and food inflation South as a reason for that-

Chairperson:

I'm sorry to interrupt you in the representations that I have I have a copy of the main budget but I do not seem to have a copy of the accommodation budget and I'm quite unable to read it from here even on the screen. So I have on page 12 a copy of the main budget I'm not quite sure where the accommodation budget is to be found in this presentation-

Villiers:

We provided an updated electronic submission and the main budget is on page 19 of that submission and accommodation budget on page 20.

Chairperson:

We don't have a page 19. Ms Pillay do you?

Pillay:

We don't have a hard copy of the updated version.

Chairperson:

My problem is I cannot read that screen from here.

Villiers:

Can I take through the three columns for accommodation?

Chairperson:

If we can get a printout it would be helpful but don't worry just proceed and we will make the best we can. I have read your submission I've got, if there's further supplementation we haven't got, I shall tell you.

Villiers:

the bottom line is that the 0% adjustment in fees for accommodation is a 35 million deficit, a CPI percent adjustment is an 18 million deficit and a higher education price in adjustment would still give us a 13 and a half million deficit and that's because of the differences in the drivers for accommodation vs. others so that the accommodation actually increases by more than the higher education price index Round about 10% really in terms of energy and food.

Chairperson:

This is all on the basis of the present student numbers?

Villiers:

Correct.

Chairperson:

If fees were to fall flat, and students were able to come in greater numbers, the problem would be exacerbated from a financial point of view?

Villiers:

in closing our recommendations that are that that we as a university do not feel that fee-free higher education currently is feasible for our institutions in that we want to rather push for subsidized higher education for the poor and we believe that bursaries can be used as a very strategic instrument to provide access to higher education for the poor we believe that the cost sharing principle that I am explained in is speak to higher education is both a public and a private Good. that this cost sharing should be done the combination of both government grants and student fees and that as I said as bursaries as an instrument Stead of differentiated student tuition fees which we feel is it would be very complex administratively to manage is to rather do as well subsequently illustrate with a couple of scenarios to have differentiated aid to financially needy students.

Lombard:

What I will indicate in an example for one of our offerings is what is the effect of those four categories of combined income, so this was also in the updated versions I'm not

Chairperson:

Well I think I have it on page 14 of the original - household income exceeding 600000 per annum

Lombard:

What we've done with indicated for the B.Com degree where your division is an average 41000 accommodation 29000 Rand some additional costs 2000 so the total cost for the B.Com degree with accommodation will be R72000. Typical for a student within the first category- NSFAS set category of 222000 the right-hand side column will receive a bursary from NSFAS.

Chairperson:

What we originally received differs slightly as far as the figures are concerned.

Lombard:

if we then look at that offering of b.com for the category 122 to 240000 with a total cost of 72000 and some sort of a family contribution of up to 10000 rand and that will then be settled by the university has with indicated with a 602 000 in other words with- R62000 so we supporting those students in that category currently by after a means test fully by topping up the outstanding amount on their student fees account, for the third category between 240 and 600000 that's the area where we have problems because we don't have a means to support them fully as indicated there the total cost is R72000, family contribution of R30000 and a top up of R10000 Rand by University again because we don't have the financial means to fully support that and that's the shortfall that's currently creating problems for the students and then the sixth more than 600000 is the one that we are experiencing that they have the means to currently fund the student account.

Villiers:

*the reason why I think we when we chose this B Comm degree is in our specific institution the Faculty of economics and management sciences is by far the largest so they have more than 8000 of our students out of out of 30000 traffic this is a potent example I think in our in our Faculty of economics and management sciences there's a project that's receiving a lot of support currently, it's called is the zero project and the zero project speaks exactly to the second category that the 242 600k we want to enable academically deserving students who cannot afford it where we really wonderful is fully support them so that is a very significant priority for me as a vice-chancellor to go out there and to fundraise.
Thank you very much*

Chairperson:

you haven't stolen anything about your view as to recovering money that are advanced where they by bursaries or by any source whether you think that recovery is a viable option on whether it should be pursued and whether it should we continue to be pursued in relation to the NSFAS and if so how effectively that can happen?

Lombard:

we can we see now for a for the first time in 2016 at there's infinite increase in our outstanding student fees and student loans so there's a definite trend- you can see the tendency in there in the in an increase in both those categories but from our Point of view we see that with the right the mechanisms to recover that money that's a process that that should be followed

Chairperson:

what I had in mind is that one should in- as possible, consider whether one can make the funding scheme self-supporting- that I don't suppose that can ever be 100% but should not Summit MP made to that end?

Lombard:

Yes we agree with that that that should be as far as possible sustainable

Villiers:

With regard to solve the recent presentations that I listen to from Mrs Sizwe on NSFAS. I think that's exactly what they're trying to do when then we would be very support of that to improve the mechanism whereby a loan recovery could be managed

Chairperson:

We've heard something although not from the relevant authorities about the possibilities of recovering money through the tax authority- only when the student becomes sufficiently- financially resourced to make a substantial repayment.

Villiers:

That would be certainly also the example that followed in the UK

Chairperson:

It may also be that the debt is not regarded as recoverable until the student reaches that level and the consequence of that is it would be of no interest charged until he reached that level because there's no debt, do you follow me?

Villiers:

Correct,

Chairperson:

So you're in principle, you're not opposed to such ideas.

Villiers:

Yes,

Chairperson:

Any questions from the evidence agency?

Lekoane:

No we don't

Chairperson:

Thank you very much indeed for your trouble.

Villiers:

Thank you very much for the time we appreciate-

Chairperson:

We Hope to hear from you further when it comes to the precise details of how the funding should be procured. What we have our intentions clearer and more has been heard from all of that but thank you.

Villiers:

Thank you very much Chair.

Chairperson:

We are adjourned for five minutes

****end of session one****

Beginning of session two

Chairperson:

Yes Ms Pillay

Pillay:

Thank you chairperson, the next presentation is by the University of Cape Town and the presenters from UCT will put themselves on record

Chairperson:

Prof. Price are you presenting?

Price:

Vice chancellor of UCT and my colleagues are Thesni Msalaso, who works closely with financial aid of NSFAS. Mr Shai Makgoba, director in our finance department. And Mr Ashley Francis, who is the CFO in effect of the university. I'll do the presentation and they'll answer the tough questions you through at me. Judge Heher and honourable commissioners we submitted a fairly full submission in June, and I mentioned that you have heard that-

Chairperson:

And read it

Price:

And read it thank you and that is it that is a submission which focused as you know very much on university of Cape Town on current practices on how we've managed fee increases or a lack of sub-increases and how are you tried to cover both NSFAS students and the missing middle students. frankly I don't think I can add anything to that and I don't think I would be spending your using your time well to repeat it since you read it and my suggestion is that after I'm going to present something slightly different than that of course I will be available to answer any questions that you might have that ever is an out of that-

Chairperson:

Assuming that we have read what you previously presented, essentially what we are interested in is your solutions.

Price:

yes listening to how the commissioners got off the ground in the last few weeks I thought that is slightly different presentation would be more appropriate which is about solution and not focusing on UCT but focusing on national Solutions and so the presentation I believe you may have been given a text of my of what I'll be saying so I'll have to go through quickly I won't cover every point But you will be able to go to that and the presentation- am I right you can't see the presentation actually should- you've got a version to. Ok so I'll show the PowerPoint as the guide for that

Chairperson:

We accepted that yours is not the final solution and I sense that and now that its intended to be at this stage but it is an opening salver, in whole problem as I see it.

Price:

We've given it a lot of thought, of course it's not, - and it doesn't have all the answers but it's our view of how we think education should be funded. So the first slide is actually just decide about context and really what I'm saying is that the submission for the University South Africa which the order of the universe is contributed to in my view covers the context very adequately but I didn't think there is any point in repeating that either just to say that we fully endorse the University South Africa Context and I will remind you of the 8 points in that context. Clear high Education has a critical role to play in developing economy and that's the first I don't think that's up for just dispute. Secondly I think it's always important to remind ourselves how successful the higher education sectors been in the last 20 years in terms of expanding access or expanding quality, diversity complete change in the boat gender and race tomorrow demographic

Ally:

However doctor when you speak of Higher Education, because then you might want to qualify what you're saying. Higher education context of the commission includes Universities, TVETs and community education and training institution so you then want to qualify what you mean by the last 20 years.

Price:

Thank you, I'm using higher education in the context in which the department and the white paper uses it which is that it refers only to universities. I use the term further education for the other sectors and so I'm only talking about university- public university is really thank you for clarifying. The challenges are that the students coming on the school system under-prepared and as we be expanded access that means that many much more resources required to ensure that those students can cope at university and succeed at university so in many respects the cost per student at University has gone up, not just for some of the normal reasons that costs go up but because we are taking on a significant role that the school should have been performing at which we are now performing at university. We recognise that those are the students we have we have to increase graduation numbers and rates that's going to have some costs associated with. secondly chronic underfunding which has resulted in higher fees I think this is a well-known I won't elaborate on that thirdly the higher education price index which I think is now over many years we have a lot of experience on this in other which the rate of inflation to do the same thing next year as we did this year, our expenses being a little Dilbert above CPI it's about 2 percentage points above CPI and there are a number of reasons for that we can talk about it if necessary but this is being covered by others and by the Council for higher education and by Yusuf so I won't use my time to explain that unless you ask me to. The government in awe of you should be spending about 1% of GDP this is also the view of Yusuf, based on comparisons of countries in similar income groups and by way of an illustration we've actually gone down as a percent of GDP over the last 4 years

Chairperson:

So that's one quarter more than it is?

Price:

That right so that 30% increase from what we currently spend. Next block grants per students are decreasing- the unpacking the DHET budgets can be a little confusing in the sense that total budget on universities has been increasing and in fact it's been increasing in real terms so I might say why is there such a problem? the problem is that firstly when you adjust it for the number of students in the total funding and for inflation in the real per capita spenders dropped but even That isn't where the biggest problem is the biggest problem for most of us is being that what used to be a single block Grant has been divided into a number of ring fence grants and a block grant. the ring fence grants can only be used for particular purposes which may or may not be the core business that we have to deal with that so the block grant which is what we fund the core running cost of that is decreased and then the last point Which is a quite recent development is about minimum wages at the university sector a because it outsourcing they were very low level after that the level of the sectoral determinations of the sector. most universities have come to the view they are too low and that they should be raised in raised be raised by raising them will maybe by insourcing and that has generated a stick price increase for our costs so that was the Yusuf that the context I don't think it's so controversial. Question sometimes ask what would we ideally like? our ideal position would be for universal free education if we were living in a country such as some of the European economies where most of the basic needs to have been taken care of we have a wealthy economy you can afford free schooling for everyone and free early childhood education, adequate pensions, job creation schemes certainly University education is a public good as well as a private good it raises the general quality of life of the uni- of the country and the deal with me to have it be fee-free some of the reasons for these are reasons on a lot of introduced to this debate but let me give you an example of one most individuals if they have to pay for their education are going to be rational consumers and make a judgement about the future stream of income in relation to the cost to the fees.

Price: *Continued*

yet the costs of teaching different courses has no relationship to future stream of income so for example studying opera or fine art or French language or philosophy is less likely to generate the Stream of income that is comparable to commerce and accounting yet it's actually cheaper to train someone is an accountant that it is to train someone as a fine artist or musician as if we rely on fees to do to influence the market you'll find that people are choosing quite rationally to send a money but I think I get a return and that has an impact on the balance of different disciplines that are offered The Choices people are free to make so only poor people will make to The Choices that are much more influenced by outcome than wealthier people are the. Can also lead to- I wouldn't have said I call him distortions in the offerings but it has a significant impact where is other factors might be relevant to that balance of disciplines that are offered. so that's why I do think that in an ideal world there is merit in fee free education particular the undergraduate level but that's not our will-

Pillay:

Doesn't that ideal position you've put forward in two things firstly that all of the students passed, when they joined the higher education institutions. And secondly that the economy is able to absorb them that would be the ideal

Price:

well the economy in a rich economy the point is you can afford to educate people even if it's not just for the job market I think that's really part of what I'm saying so in the US and that's not in an ideal world but in the US the norm is forever one to get a four-year liberal arts degree it's like an extension of schooling is not vocationally orientated. it's not about getting a job necessarily, it's about completing a rounded education only in the states only if you can afford it or take out massive Loans can you do that but then in an ideal world it be nice for everyone to have for your liberal arts degree, could promote good citizenship and a whole sorts of other good things that the point we not in that sort of world and in our view we won't be there for at least 30 years so we have got a plan for now and that is an environment where we don't have unlimited budget so we have to ration public spending and it rationing it we have to choose between schooling at early childhood education and healthcare and Higher Education and it's hard to make a case that since everyone benefits from schooling everyone benefit from health care everyone benefits from Early Childhood education and those are so important yet only about 10% of households currently benefit from university education its hard to make a case that that that should be a depriving resources from those other areas is it that should be the highest priority. So it's not possible to have free education

Khumalo:

On the previous slide, minimum wage increase with or without insourcing- what is your standing on that on insourcing?

Price:

we have decided to insource that we have almost completed insourcing at University of Cape Town previously we had already committed to a minimum wage when we were had outsourcing that was above the Sectoral Determination in most sectors like security industry cleaning industry the Sectoral Determination is about 2800 month we had already required our contracting companies to pay a minimum of over 5000 rand a month almost double the that was a condition of the tender condition of contract because we felt that the income inequality of the campus was too great and we thought that those wages were unacceptable low. whether one then goes The Next Step of insourcing is driven by number factors not only the wages but as a result of insourcing wages have gone up further and will probably at you have gone up further. I'll be going onto the next slide therefore I'm saying for the foreseeable future higher education should be funded by government grants and tuition fees it's simply about the first instance can you find the high education sector at the level to which we expect simply out of government funds and the previous points I've been making are no you can't. It's not that there is a right amount to spend on it the more you spend on higher education the better, tuition fees will contribute to that. People often say what about third stream income-

Khumalo:

Inaudible

Price:

I'll come to that. Tuition fees from users from the uses of the beneficiaries of higher education, students here.

Khumalo:

My question is does it have to be the users themselves on alternative of that being made is tuition fees?

Price:

can be alternatives so I will come to that but before we going to this debate of grants and fees people often ask us about third stream income and they say why don't we go and increase third stream income so do you want to comment on that first the same chart Which was also in our original submission shows the funding at the University of Cape Town University of Cape Town is a bit different from the rest of the sector at what you see is more than 50% 56% in 2014 of our income flows from third stream income and only 22% comes from fees but you might say will surely this is the solution because third stream income is covering more than half of the cost. if I just also show you the higher education sector more generally that's the next thing to look at that's a dramatically different picture because there is only 24% not over 50% and that he said that the challenge of third stream income stream- is actually generally raised specifically for research almost all of it if you don't have the money you don't to the research if you have the money you do the research it makes a big difference to the kind of university you are and the research emphasis but it's never money that can be allocated to running the core business of the university It can't be allocated to teaching or to service or to Outreach water the other businesses other challenges when you that 57% in and UCT is case about two and a half billion Rand three going on three billionaire and the year is motivated by specific Grants to the bill and Melinda Gates Foundation, to the national institutes of Health to Welcome Trust 80% of it comes from outside South Africa is not coming from Inside South Africa and its being it's clearly it's a tight contract it gets audited report back what we use it for and it is my mainly used for research there is some money that we also raise for bursaries for prizes for chair for endowed chairs but in which case the donors are saying to us there might be a alumni, the might be corporate their saying to us we want the money to be used for this and that means that all that looks good 54% of our income it's not money that actually to phrase it anyway the core costs that has a same most other universities It's half of that any many universities that was a national average in many universities it'll be down at 10% there is however something so that we would call free endowments now that's money that we raised from donors which is it has no strings attached but it is an endowment.

Price: *Continued*

how are endowment I shall reveal his about half a billion rand the interest on that has two first capitalize the endowment and so we find that we can spend about 4% of the endowment on actual activities and say out of an ear down at R500 million about 5% of capitalising on interested in a return of 9% 5% of these two capitals 4% of will be spend that comes to 220 million rand a year.

Chairperson:

When you capitalise, do you capitalise to provide for inflation or to maintain the capital level?

Villiers:

to maintain the real value of the endowments is for inflation in our environment there for what we get from our endowment is 20 million rand a year into our current budget out of a total spend of 2.8 billion so my friend down to providing us with 0.6% of our revenue each year and we are and we've put a lot energy into increasing that but one just have to be realistic about how much difference that makes that is less than 1% shift in the fee level for example so third stream income critically important as it is to develop research bursaries out of things is not the solution to what we talking about hence co-funding from fees is necessary and desirable you just want to run through the arguments about why it's necessary and desirable. firstly it generates more funny for the system government subsidy won't be enough even if it reaches 1% of GDP and the fact is that many South Africans are willing and able to pay for good education we see that firstly by virtue of the fact that they paid today at many universities we say about the fact that many of them have been paying even more for the children to go to school before they come to university many send their children overseas if they're not satisfied with what they can get you but it seems to us for us to turn away that revenue when it is available to support add to the total amount that government to spend just say doesn't make sense so it adds to the funding of Higher Education the second reason is more of a reason about economic how the economy works the circle debate about public benefits and private benefits if one was to- many views of how public and private spending should be distributed benefits that accrue not to individuals pit to the public should be publicly funded the benefits that accrue-

Villiers: *Continued*

Primary to the individual should at least to some extent be funded by the individual because they are going to benefit that is not such a big argument with everyone is going to benefit send the case of schooling everyone benefits no that's a private benefit and a Public Benefit but you can make your reason of argument about why the state should pay for that because there is no inequality that results from public funding of the private benefit let's take a something like that was schooling or Child Care Grant this take pays for Child Care Grant Child Care Grant SARS a private benefit to the individuals that benefit from that but no one would say that the state shouldn't pay for that because it promotes equity at the same time in the case of Higher Education note has a regressive effect it's regressive because the beneficiaries of this private benefit the people are going to have more likelihood of getting jobs as a result of university education and who will earn more as result of education is a very tiny portion of the population they come from about 10% of the household of the population and there and their benefit their new income of future income is now being funded by taxpayers across the board we all pay that will pay various kinds of levies most of us pay income of corporate tax in in a drawing draws on the whole population so instead of tax being used to promote redistribution it is to the extended is a private goods is being used to benefit people who will be the elite of society in the future so it's about fairness and it's about the regressive use of public funding and then this is a point that there is particularly important for an environment where government has not chosen to fund universities in a differential way in most countries that- including South Africa not every university can be or should be a research university in the United States out of some 3000 universities less than 300 are licensed to give PhDs the rest of community colleges or first degree or liberal arts Universities or colleges in in China there was a strategy to promote a certain number of universities 30 university is out of out of something over a thousand to be research universities, universities need to be tailored to do different things University of Technology have a particular role to play. If the funding of research university is what is built into a public system of funding university then that can be taken care of but in the South African environment and infect in many environments that differentiation in is happening to the fee system so because some universities are able to charge fees that extra income enables them to invest -

Villiers: *Continued*

in research and in staff/student ratios that can support research all of our academic teach and do research depending on your income you can support the research better so the fees allow for additional funding required particularly for research, all university is benefit for the school or university do research but the current government formula for funding is a formula that treats all universities equally and others you all get the same amount for a science student for law student for a PhD student the differentiation happiness through the fees system if there were no fees then there would be no a differentiation we will all be getting the same amount of money

Ally:

doctor before you continue just like you to include in your elaboration of the NRF because you say government is not involved at that particular level but government is involved through the Department of Science and Technology which is a national research foundation which provide funding one for research not only in science and technology but include humanities now university is From the time we started this commission have indicated because what has been said his that in respect to post grad education there's no funding at all and then that is not too so therefore I'm just asking in terms on the elaboration on the on the funding that perhaps you can include and to what extent the NRF funds your research also

Villiers:

*thanks very much, you're absolutely right, the NRF and DST a fund the research fund are significant funders of our research programs small compared to the International funders but that's not there but they are funding I think the reason why it's often ignored is because as I was saying about third stream income is often what we call soft funding you have it one year you don't have it the next year, you can't build permanent posts or permanent staff establishment, on the NRF funding you write a research proposal the research proposal may get funded or may not it's a competitive process if it gets funded you have money to employ some PhD students and some postdocs if it doesn't get funded you And if you have funding before you close that program and try to find funding elsewhere there are a few ** is it there in the NRF like the research chairs which have 5 to 15 year time frames and those are very important and generous elements of this*

Chairperson:

And then the other one is if certain equipment is needed for that research they fund that equipment also -

Villiers:

On a comparative basis that do that. moving on to the key concern about fees which is equity how do we ensure equal access and affordability if you have fees as co-funding so as I said in my very first slide we believe that fees and finances should never be an obstacle for talented students to be able to access higher education but a few system doesn't mess said you create those obstacles there are ways around that and the one is to have two to one is to have a differentiated fees structure the second is to have bursaries for low-income students and the third is to have loans for low-income students now the first of those options is very attractive because what it allows you to say is that there is no if there are no fees for poor students and their fees for rich Tunes there for it is a fee free education for the poor the principle of that we have to support the effect of that the achievement of that goal we completely support but the administration of that turns out to be very complicated if you have zero fees for one group and fees for another group so it's complicated for two reasons why did you have actually a Continuum of income you don't have people are the poor or rich or you can say it says zero fees-

Villiers:*Continued*

or full fees you have a continuum and I saw on the previous presentation from Stellenbosch they think that it goes up to about 600000 we have a similar figure above which people can afford it but people at 400000, can afford little bit of some of it and people at 50000 maybe can afford nothing so if you have a different system to deal with that you need to have multiple fees now most university is have fees that are for each course as a fee for course notes for field trips for residents for IT sometimes and in a particular program you might have four courses in a year what does the mean is that of these courses would have to have multiple fee levels depending on what income bracket the student was in the administration that is very complex and also it would inevitably be-

Ally:

that's a good research topic is in you got all these master tools and his plan is used and maybe that's one of them because all you need to do is input data and then you have it

Villiers:

there is but everyone's income of course before you set the before so someone who is looking at the fees structure deciding which university should I go to would have to have found out how their income relates to all of these fees in order to make the judgement and it also do that in relation to all the other universities fees structures in order to make some rational choice is the point is much is a system to achieve exactly the same goal. if you provide a bursary that covers that you still have free education in effect but you have a standard fee and ineffective discount from that fee and then you can a sliding scales you can look at the person's income and Taylor the size of the bursary exactly to that you also can draw on other sources of bursaries and said of only the state funding if a corporate wants to fund someone you can draw in money to support more educational I will come back. so the point about free education and the challenges is that you can't allow two levels of fees that would be unfair to people who are near the cut-off you would have to have multiple levels and sliding scale of fees are in a Ministry of challenge and that of course it doesn't replace the financial aid system because in most universities UCT is an executor example only 25% of our students are in residence -

Villiers: *Continued*

three quarters our students are something with at home but most them are in private accommodation now why you might want to drop the fees for the residence because you have control over that you can't do that for students in private decks for 3/4 of students many of ** and financial aid So even if you wanted to have a fee free education those students would still be facing insuperable obstacles to higher education because they have to pay for those things that you have to pack on a piggyback on a financial system of bursaries and loans anyway in order to cover food books laptops travel accommodation so if you going to have that system anyway it's got to be administered based on their means test of some sort is much simply extend that to cover fees at as well and it makes it much more egalitarian across the people who are in residence and the people or not in residence now that is question then it's oh so that's our proposal that they should be one tuition fee for everyone but it's a notional feed with personal bursary support on a sliding scale for those who need it it's simpler fairer any more efficient solution. at UCT this is exactly what we've been doing for the last time since say about 2009 at the top line of this graph is the number of NSFAS funded students at UCT that's had a steady increase but it's so that's been towing over those years but what your what for the first in 2008 the bottom line shows what are the missing middle students we had non before 2000 and we didn't find them before 2008 in 2009 where we adopted the policy that we would create a funding system for them because rather than a sliding fee scale you would give him a financial aid and that is gone up steadily up to 2016 and it is in effect cross subsidised from the fee income that we get from home from full fee paying students that's the effect of it and in a sense That's what we are suggesting well finding that group address is the problem we believe we do not turn away any student and have not for some 6 years for financial reasons. I should qualify that's likely because that doesn't mean there are no financial exclusions list has some strict rules that have to pass for example 50% of your test your courses in order to continue to get this funding and if you don't then you lose that funding and you could lose your and then you could be financially excluded but for students applying to us and you maintain their academic record we have not had to turn away anyone for financial reasons

Chairperson:

The differential of fees across many universities, for the same degree. B.com at one place may cost more at UCT than at other places. I assume in this particular context that the degree of cross subsidizing is one of the contributing factors to the upper rate of UCTs fees.

Villiers:

we fund our financial rate partly through the fees and it's not only the missing middle because I should emphasize that NSFAS has a cut off of a cost of study of 7 round 70 to the 70000 - 71000 so how students who are on this this can get a maximum of 71000 but accommodation in Cape Town is much more expensive than it is in some other places we know that they can't survive on that and our residences we can't run at the level that some others have because land in Cape Town is more expensive so all residence fees are also high we think we provide a better quality than average for example with the number of Warden the Subway Dan's and other facilities that we provide computer labs, so some of that hire cost is for funding the financial aid system some of it is because we do think we can offer a better quality of experience so I wouldn't want to say that we have the highest the best student staff ratio in the country it would certainly be in the top two or three- I don't ever talk to report that because the data is and collected in the same way across university is but it would you be in the top 2 of 3 and that would be I think reflect on the student experience so it's ok it's a combination of things-

Chairperson:

a number of questions have been directed to the exact quantification of the fee for- it seem to me that none of these degrees is capable of an exact quantification, that all sorts of feel good and needs to have get in without a precise figuring Placed on.

Villiers:

so we are able to and we do I calculate a very precise cost of delivering a particular degree but the question is does that have a bearing a relationship to the price we charge and ours is almost none and the reason is not only for those other factors that will you add it in and the feel good factors that you mention but also because the cost of delivering lets say medicine degree compared to the cost of delivering a commerce degree is completely different yet the fees we charge are not very different I can because it would mean that people who want to study medicine couldn't be able to afford it they would be steered by the pricing system in 2 degrees that can afford and partly because the list the system isn't sensitive to that so the 71000 LTD is regardless of the degree you studying if we were to charge medicine at the cost that every week if you were to price medicine that the cost of medicine it would probably 200000 year tuition fees so we have a big degree of cross subsidization within the University from one degree program to another overall and then and then research is the sort of how long is a piece of string to the extent that we can cross subsidize research for fund research through whatever revenue we generate we want to do that as well Postgraduate students have been generally underfunded from the point of youth of financial aid Although there is some money from NRF but there isn't from NSFAS and yet we are a postgrad university with some 40% near are postgrad students know if we want to promote out of the country wants us to promote that then we have to find financial aid for those students and we put a lot of money into the student financial aid as well which is in effect coming out of the fee income of undergraduates as well so there are all of those multiple factors

Chairperson:

It's been explained o us that there are such things as libraries which benefit the whole student community and the cost has to be spread across all the faculties. How do you do that?

Villiers:

And sport fields. life is not just the course it's over all round education and experience and that's what you want to provide certainly we could cut off sports we would do we will save money fees could drop but I don't think it would think that would make us a better institution

Ally:

Dr I'm sure we'll be able to interrogate this more as we going towards- because this is being my passion to ask question of the first university is why you would pay 15000 for law degree at University of Zululand, 45000 at the university at UCT but you don't need to answer that now but we will interrogated as we go further and I hope you part of that particular solution group as we go further.

Villiers:

we would very much like to be because you made that points in the public domain of just like to say that our financial statements are transparent of course and what people will see is that is not profit whatever money is being made from this high fees is being spent you can see where is being spent and spend spent on the public good we believe but we found it necessary to cross subsidize some programs for other's

Chairperson:

We understand that. But how does the cross-subsidizing is balanced between faculties. Do you give an equal amount of sports fields to every faculty?

Villiers:

we do, we have some overheads for the university like the space, security services legal services the payroll system financial aid at all of that overhead is a kind of tax on every Faculty or is a transfer to the centre what every Faculty and it's basically attacks on their fee on what they generate from fees and subsidy so is this is what you generate is a relationship between how much you generating and how much you spend in the finance department for how many strings we have to support in student an student system and so that the other each pack of each unit knows what is income is from fee and government subsidy knows what is direct costs are and what the overhead costs are. ok the big question I think which is the tough one to resolve given that we If we accept that fees are necessary and good to the total income of the sector and for other reasons but that we want to protect the poor that we are not going to protected to having is zero fee for them but rather through an allocation to them of financial aid the big question that remains that should appear Grant or a loan and our view is that probably -

Villiers: *Continued*

Accommodation but largely loan the system allows you loan system so what are what are some of the factors here. the loan system and NSFAS is actually good itself with that would have been need can only work if it is at a adequately capitalist if it's not going to cover all the students you need it then those students still going to be hungry all falling out of the system because I have to work with a can't I can't pay their fees so the premises of this is that adequately capitalised both for a poor students lower income students. Or no income students. loans are better because that Grants because it returns money to the system so therefore reduces the fiscal burden on the state or Alternatively can allow for extension of the higher education sector but I heard you just had asked the question of Stellenbosch whether they believe that the Loans can or should be recovered we certainly do, NSFAS has not been successful up to now but if it can be incorporated into the revenue into size as the means of recovery and we think that that should provide a matter pretty reliable way of doing that any should probably or secure system that people leave the country there should be some tags on them so that they are required to pay back loans as well as their money to the system that's why loans are better than grants but this is a really important factor which is what you maybe it might have heard not directly on stand from Sizwe which is that loans enable banks are the financial sector to participate in funding higher education where is grants do not so banks I'm not going to come and donate money to students but if we have a sister with a can recover some portion of it can be Leverage so that by combining it with Grants their return is still a commercial level that massively increase is the capital and cash flow that's available for funding Higher Education and why not use it

Chairperson:

That's been a case along time; banks have been here, why hasn't it happened?

Villiers:

Because the risk is too high for banks. To 30% of students never get their degree. Banks would have to start we have to earn interest immediately they can't deferred interest for 6 years until you start earning. students don't have the income to start paying back thirdly banks need security and most students don't you need loans don't have the security so you have to package the banking system with a system where you the government underwrites the loan or % of security wearing quenches is deferred where there's a better system that banks I want to Chase around for people who don't have jobs to recover the the to get the monthly repayments but if its true size then it can be done so I think it's all coming together in the in the plan has been proposed of course that but the challenge is that banks still want commercial rates that will not engage in this if they don't get a commercial return how do you get a commercial return if you're going to defer interest for 6 years maybe longer because you only start repaying it when you exceed a certain income and if the interest rate itself might be Lower and if there's some of those people that will drop out and not get jobs will that's right thing-

Khumalo:

The proposal you making do you think poor people will qualify for the banks to are we dealing with the missing Middle now? There is a criteria for assessing that kind of funding

Villiers:

right now banking so right now poor people that you will not qualify that even the missing Middle won't qualify because most of those families already quad heavily indebted and the Credit Act will say to them would say to those families you know I'm look I see your credit card I see what you owe on the house in on the car you can't afford this loan so actually

Chairperson:

And you have no security.

Villiers:

you might if you missing middle but probably not here so I think it applies to both any the current system the banks won't come to the party that's why I need to package it differently part of the government grant that is currently being used for NSFAS could be used to Leverage the banks to say to the banks ok your risk as you won't recover 30% will cover those 30% for you to make it worthwhile the mass of that is what the bankers in our working out in and have to work out if you don't have a loan system there's no way of bringing the financial sector to the party to help fund Higher Education and there for you will just be deprived of that source of revenue either government has to pick it all up, they won't Will they won't do it is generously

Khumalo:

So your saying potentially in this system, we've got NSFAS on board but then they partner with banks, then there's, is that the basic proposal?

Villiers:

Banks and other institutions, PIC might be interested, pension funds as they have long-terms views and they want a steady income from their investment.

Khumalo:

And the interest of the proposal in suspended for the duration of the study?

Villiers:

from the perspective of the bank, it has to be a commercial return, interest from day one and at a commercial rate but for the perspective the student it's deferred and then lost the difference between what the student is going to pay back ultimate hear what the bank expects is the leverage that comes through the public subsidy but it's still a share of it as a fraction of that it's not that is still means that you Leverage in a significant increased amount of money into a higher education sector

Khumalo:

And the means test for that system is it still the NSFAS or a different means test for that?

Villiers:

Can I can I come back to that I will come back that

Chairperson:

How do you suggest bankers' participation should be initiated?

Villiers:

It should be initiated though a polite invitation.

Chairperson:

Polite invitation from government?

Villiers:

The way it's happening at the moment is good, the chair of NSFAS, has been given a mandate to put this together. He and his team has credibility with bankers. The banks can see that it's in everyone is interest to sort out the funding of high education of mean if anyone wants to have more professionals educated and trained it's the financial sector that they can see that there's no more money in Govern that won't come- government going to create a deficit and drop in the rank ratings and things like that so I think there's a commitment and an interest and willingness, they just have to figure out how to do it so they're not losing money.

Chairperson:

You suggest that NSFAS should take the initiative?

Villiers:

so I would have suggested that but I happen to know that NSFAS is credibility with the banks is very poor at the moment it just it doesn't have it hasn't been able to recover the loans it hasn't had the isn't had the administrative depth and capacity to do what to do what the banks would expects I think that banks- I don't know why I don't know how do I think it will come to

Khumalo:

Is that in perpetuity? The credibility.

Villiers:

They will come together. in my prediction with me let's get the missing middle covered through a new scheme which is run and manage and owned by the banks with government collaboration and I think within 5 to 10 years the two will merge little merge into a new list as because that the downside of having two organisations is it incredibly inefficient every person has to be assessed by NSFAS for the means test for their means testing come and by this other scheme for their income they don't know where they stand so that make two applications one to NSFAS and one to the other Scheme both of them are assessing things that ultimately actually what to put together a package for that student which is a combination of grants and loans and other things so if it is a mining house is willing to give or corporate it is willing to give bursaries to students we shouldn't Spent on those bursaries those students may not need loans so if we have a single system which is looking at all of this revenue all of this money together and if there's one donor only wants to find engineers and another one who's not Fussy it's a complex thing to put together if it's been done by multiple agencies it's going to be a lot of duplication, can be done with a lot of duplication I think in the end is have to come together. So loans enable the bank to participate and then this is the point of want to make which I'm saying about generating income from other sources if you could just look at the pie chart this is the UCT picture now the section here that doesn't help

Ally:

It says other payments 839

Villiers:

your text right thank you ok so I'm sorry that the audience for the memories quotes yet so this this big Cattery here is other payments and what date is the payments that are coming from fee payers mostly so that say now that is a new ask me earlier you said must the students pay if it's a fee system in this is the answer to that question. Yes the student should be paying but actually it turns out that only about 60% of the students of paying out of their own pockets because if you look at the red category in the bottom that that is the students getting funding from NSFAS- is paying that money directly to us on behalf of those students so they paying nothing or very little and hear the so-called expected family contribution there may be paying which by the way is included in this BIG category Then the next GROUP, the green one is UCTs own funding so we have had that cross substance that I mentioned from a high paying for students to low paying students that is that Green Witch of about 14% so we are paying on behalf of her students and missing middle students purple thing is the bad debt that we never recover around 1% and this is quite large blue wedge at the top that's interesting, that's corporate donors maybe 250 million rand is coming in from philanthropists, donors Foundations that they are paying money so that students will you to come and work for them when they graduate even government departments the health department teaching department fines Funza Lushaka has a bursary scheme for teachers so if you had a zero fee you would lose all of that revenue which is actually coming into the system already and there's no reason to lose a people see the value in that and they willing to pay for it if you had a differentiated fee you would also use it probably because most of this funding is for poor students and if you went to donors and you have to say to a donor the student hasn't paid you think was education is free for them you can't use that is a motivation to raise funds if it was saying is the student has these costs that we put together a package from multiple sources some of which is loan summer rich is Grant, corporate and that generate more money into the system as a whole and we think that that's a good thing

Khumalo:

Just on that 16- does this include the research funds?

Villiers:

no, so that all the text that that research money that third stream income is out of here, it's not funding our core business that Two and a Half billion, In which is the same a lot of money is this whole pie chart that 51% that doesn't appear here that comes from Foundations and other people but it's not used for paying fees this is only the money that used to pay student fees

Khumalo:

This relates to the undergraduate is there inclusion of postgraduate?

Villiers:

only undergraduate it says on the top of the 2015 undergraduate fee debt, and so that of all of the money paid by undergraduate that he received for fees where did it come from somewhere from Nsfas, some it was our own funding some of it from private pockets on their own projects

Chairperson:

If you had a zero fee, could you not then replace the corporate aid with the corporate tax which is spread evenly across the board?

Villiers:

yes I think of you do you need to verify for that you could do that anyway if you could do that into the right but it's all I have to say that a lot of that is not necessary local the MasterCard foundation which is Toronto-based has given us 230 million rand over 5 years, over 10 years to fund students the Michael and Susan Dell Foundation based in Texas is committed and has given us a good just the thing is it inside that figure is donations from all over the world and from alumni, so much but of course if you could tax or corporate you would get that and that's an issue for the Treasury to decide whether you can do that anyway

Chairperson:

I was only looking at the possibility of doing away with the voluntary aid and replacing it with taxation.

Khumalo:

Coming back to what advocate asked earlier, the demographics of the university we just trying to establish who has access to this is kind of aids, the previously disadvantaged- Able by virtue of your demographics to access this?

Villiers:

financial aid does not take account of race it all it's only based on onto on this on the thresholds as which is what NSFAS does to look up the percentage of our financial students that are black is it that's what you're asking is it is not the demographics

Khumalo:

Yes, as UCT is considered to be more elitist than other varsities.

Villiers:

90% of those on financial aid are black students which is much higher than the proportion in the university is a whole about 60% of so of students in the University of black students but 90% on of financial aid are- there are all sorts of ways of increasing the number of black students based on recruitment admissions policies are reaching out to the schools skills liaison bridging programs so I'll strategy for that is focused on recruitment around academic performance because we have already made a commitment to every student that if we accept you academically we will fund your fees if you can't forward We Don't Turn any or anyone away that's the point I was making earlier the low-income or missing that all because we've been able to put in place now we've been very lucky to do that I must immediately say don't expect at the university is to do that the reason we can do that is because half of our students are in middle class and therefore they can pay the highest fees and therefore we can generate that cross subsidy system for the other half in another University you might find 10% or is that money cannot that you can generate from that's not going to fit all the students so this shouldn't be used as other we were lucky in that regard to be able to do that but we have use that to the benefit of the majority you otherwise would not be able to come

Khumalo:

Is there a transformative agenda to allow more people to get into the system?

Villiers:

we can get to admission policy things like that so I think I'm probably covered most of the things about should financial at Grant for loan we can run out of time I wanted to answer to come back to this point that the arguments against using loans is that loans penalise the Poor and we need to think about that there's a sense in which if you from a rich family or middle income family you your family can afford your education and when you graduate you don't have any debt and so you start of life with an income and without debt where is if you come from a poor family Not only do you come from a poor family, but you have to borrow loans to pay your fees and then when you graduate you graduate with the debt as well and so they are given too sometimes made that this is a double penalty not only are you prayer for it to start with but you also have this debt and I think that that is as valid point. And so we would argue but we haven't done the detailed maths of this we would argue that there should be grants for the poorest and loans and the size of the Grant loan share should increase as income increases with it being 100% loan for people are still in the missing middle but obviously need financial aid and it that does mean that you obviously lose some of the money that the loan system with regenerating you don't have as much access have to the bank system but we think that need is more than the other than can be met anyway and that there is a case for loans, when you early asked me about what the threshold should be and whether you would use the same NSFAS threshold it relate to this point that I think they would be a different threshold for the Grant income and it probably be the current NSFAS threshold of around then there's you know that as you from that there isn't a NSFAS threshold it's a very complicated thing what that threshold is but let's use 120000 is the threshold of I would propose I'm saying I because I don't think this is it this is the university position we haven't thought about it carefully inner I would propose that below 120000 it should be a grant not a loan so that the effect tuition is free below 120000, households below that level just cannot afford to make a significant contribution to higher education or should they be further indebted it is often this reference to black tax most of these students are black students bursary when they graduate will-

Villiers:*Continued*

Find that they have to support an extended family, who are expecting that now that got their degree that need to pay so that their ability to pay back loans on graduation is also diminished. This hence the proposal that there should be grants, about 120000

Chairperson:

It's very difficult to measure that. Both the degree and compliance

Villiers:

Frankly does it matter? that minister of hassle of tried to measure it and the money involved I think and the principle I think it is still consistent so you may get the figure whether 120 hundred forty exactly what the family have responsibilities may get it wrong you got to go for a simple system and by saying below 120000 that it's a higher education is free I think it free because you get a grant I think it is it is it a Sensible way

Chairperson:

What about members of other races?

Ally:

You mentioned black tax, the chairperson is asking about the measurement and so forth. So it's only in relation to that.

Villiers:

But it's not restricted to black students it's just common in that community but that is more common than elsewhere the. I think he is that people to come from poor communities and you are the first and her family to go to university his parents having incomes that are below 120000 year household income have significant additional responsibilities in debt and when they graduated and so unlike somebody come from a wealthy family who has no Duty is to support their siblings are their families and their ability to there for pay back a loan on graduation is much less and so that's why I think that that the level that should be a grant

Khumalo:

in a nutshell; it's basically saying when it comes to repayments, whatever system that comes into place must use the same Threshold of finance of 128 to assume that they will be black tax indications because those people are the ones that are more likely to need that because I think it's more on the repayment terms, at what point does it become practicable for a graduate to actually be able to start repaying if there no students at articles do they start paying on the serving articles when are they say self-sufficient to repay? So I think that's weather for the enquiry comes from

Villiers:

so I'm going a step further and saying not just that the threshold should be linked to income for prepayment but that they should get threshold below which you don't have to take out a loan you get a grant and you never have to repay that and I'm suggesting that the threshold will be 120000 So those people will never have to repay what they have borrowed in order to study but about 120000 there would be a loan it might be that the first and the loan will be on a sliding scale and so- in order to achieve afford will free education for the Pro it's grants for the prone loans for the missing that all I want to say something about good vs. bad debt because one of the concerns and this is a particular concern for example in the US where this is it become an electoral is that the country has over a trillion dollars of debt and this is debt held by students and they can't start of Life they can't get housing loans because of this debt and that often used as an argument against loans for higher education and then differentiating what I would call good vs. bad debt as a kind of debt that higher education should use is good debt and that is in fact that kind of debt that NSFAS uses so what are some of the teachers world the first thing is that it doesn't count when credit rating- credit agencies look at your total debt it doesn't get added to your credit card debt for your house in get all your car debt and doesn't penalise you in any way in in the marketplace having that ebt, the second is that you only start repaying it when you earn I like other kinds of death so it avoids you getting into a debt trap into More and More Debt because they because you because you only start you only have an obligation to pay when you earn and in fact once you at about a certain threshold which Might well be the tax threshold of.

Villiers: *Continued*

the third is it the amount that you repay is not linked to the outstanding amount of the debt but is linked to your total your income so two people one with the debt of a million rand in one with the debt of 200000 rand for both articulated clerks would actually be paying back the same amount for year because it's link to their income not to the total debt one may have to pay that debt for much longer than may never paid or the other make it to pay that off in a shorter time but what's really critical is how much you have to pay in any year in relation to your income because that's what gets you into a debt trap that that's what makes life affordable or unaffordable what gets you to mortgage your house while things to pay that so cross

Chairperson:

As you improve you financial position, your obligation to repay should increase?

Villiers:

it should be designed if you hit the million rand a year mark, you are now able to pay 40 50 thousand back to the loan which were very quickly then pay off the loan that you still have and of course generates funding for the higher education system so when one talks about the debate between grants and loans but must be careful not to oversimplified it is actually the debate is about the kind of loan and if you have the kind of loan which is what I call the good debt and then it's perfectly manageable and fair and it is in fact another all of income redistribution of progressive income redistribution because it is income linked

Chairperson:

I suggested this morning, that there should be no interest at all, to the income ceiling is reached.

Villiers:

The debt is the capital is well as the interest is not correct?

Chairperson:

Yes but you have no obligation to repay the capital if we reached the ceiling?

Villiers:

Correct, if no interest is charged, there's no obligation charged as there no- what's the threshold now? 60000 or 70,000 a year. Let's say income tax threshold is around 70000 years, below 70000 if your capital is bloated and have been your what did your capital is if your income is below 70000 you're not paying once you exceed 70000 you maybe Pay 1% of your income which would be 700 when you get to seven hundred thousand rand you're paying 70000 that is not related so where the interest is been charged or not has no impact on that I actually think interest should be charged because why should wealthy people who are going to pay back in 20 years' time not have to pay back the interest as well?

Chairperson:

Charged from day one?

Villiers:

it actually could we charge from day one there is an exact think there's a politics there and what is to sell this is real politically and actually the way that I think the banks we do it is they would say interest free for the first 5 years 12 he start earning and then interest is charged with interested they going to charge is going to be above reproach they're not going to there's no system that can make money out of fresh air so ultimately the Loan has to be paid back at that repo rate at least a repo rate so whether the load whether it's loaded at the end with a higher interest rate all starts install then makes the difference could what you re- Pay is linked to your income and it's the only thing you have to be concerned about-

Villiers:

Especially if you want to approximate self-funding at some stage, then you'll have to charge interest at an earlier stage.

Khumalo:

If the system and the stakeholders are into it and you've got the grant and the loan system is explaining it where do think well source the funds? For that if it's not unique to UCT it's our universal system.

Villiers:

I'm not talking about UCT, I'm talking about everything I'm saying is for National system well I think that the funds for the Grants basically is the current NSFAS funding it's already there but is not quite big enough its but I think from this year the government made a commitment to fund everyone on NSFAS now at the moment NSFAS is recovering 3% of its loans so in effect it is a grant at the moment it's on the books it's a grant and the fiscus is booting into the space in effect 97% as a grant each year and so that is already there and that's the part below 120000 for the new group The Missing middle group which is about 120000 year get it depend on loans that should come for the banks and I think the government to come to the party because the banks will not have to find that at a commercial rate so the Leverage for that which might be and I haven't work this out this factor is 22-30% would have to come from the state or from other CSI corporate social investment triple BEE equity schemes equity other schemes that fund Factor that

Khumalo:

There's been suggestions coming in to factor that into the system and if so how to access it?

Villiers:

logistics I think are the same sort of one quickly regulatory that I think it's better to make to find and sent if so if you can create tax incentives for big business in some where is the Triple Bee strategy tools regulations could be modified to say 10% - know everyone is overlap between

Khumalo:

The BBBEE, do you think there be funds coming from there and the big business?

Villiers:

there's huge overlaps between those, those are e mostly large initially white owned businesses which are looking for ways of doing of doing Black Economic Empowerment and they could do this by distributing shares to individual shareholders they could do it but distributing shares into the NSFAS or loan scheme went to the loan Scheme and having the difference from those shares fund the loan schemes I'm also a leverage the loans for example that could pay the interest that students aren't paying for the first 5 years of the loan that come from the dividends of an equity holding header in a BEE scheme but I want to tell you that you're pushing me beyond my level of expertise on this I don't want to pretend that I have nothing to say to you-

Ally:

Don't feel that you must answer if you don't have that answer

Villiers:

The summary is that we believe that co-funding is necessary but not to replace State funding not to reduce it on condition that states subsidy goes up to 1% or including an increase of states of 1% of GDP. we believe that fees the main arguments fees at revenue but also funds differentiation and it's also fairer because the rich should not be getting funded by the taxpayer when they can and able to pay you think that a differentiated fees system which is what I'm hearing from any of your submissions and other words zero fees for the poor and higher fees for the rich we think that's it incredibly difficult system to administer and it's actually a hard to create the this Continuum they are fee levels link to a continue of incomes so there for you think that it's better to have a fee with a bursary Grant and loan to protect the poor that we believe that they can be fully protected with grants and loans you think grants should be for those below certain income and loans for those above that one should. The advantage of loans why not have grounds for everyone the- of loans that recycle the money and it works for the banks that brings an extra money to the system and finally that if you have adequate capitalisation of the grant system and good loans which you know what I mean by that that that actually pay the credit very little burden and it has a redistributive effect

Chairperson:

Thank you Dr. Price

Pillay:

No further questions chair

Chairperson:

Thank you Dr Price to you and those who assisted you

****end of second session****