

Private Higher Education Interest Group – submission to the Commission of Inquiry in to Higher Education and Training

Post fees announcement by DHET in relation to 2017 fees

The terms of reference of the Commission of Inquiry in to Higher Education and Training focus on an assessment of the feasibility of the provision of fee free higher education in South Africa. This contribution is from the Private Higher Education Interest Group which is an association of registered private higher education institutions.

We are aware that many contributions have already been made and that several include models related to the feasibility of fee free higher education have been proposed. Our contribution therefore is limited to matters of principle and does not seek to rehearse all arguments already made but rather to focus on our support for some positions already presented.

Our position is based on the following conclusions drawn about the current situation, as amended after the Minister's presentation on 19 September 2016 – we have not substantiated these with figures as many of these are already in the public domain:

- The current fees and available support for students who cannot afford the fees have had the impact of making public higher education inaccessible for many students – often referred to as the missing middle – and this is a situation that requires redress. It seems that this is being addressed to some extent by the announcement on 19 September 2016.
- The number of students in the “missing middle” has increased as fees rise and the demand on state support systems such as NSFAS also increase as fees rise – the result is inevitably fewer students who can afford public higher education and fewer students who existing state support systems can support. If that is taken with the reported low repayment rate on the NSFAS system, the nett impact is serious in terms of limiting access.
- The legacies of the past that resulted in inequity in the public higher education system have not been fully addressed. There is still a significant difference between historically advantaged and disadvantaged institutions in terms of their available resources and in terms of the relative burden they are required to carry of students not able to pay fees.
- Public higher education institutions have experienced increasing costs which have not been offset by subsidy increases or fee increases. The situation is exacerbated by the poor Rand exchange rate (as many academic resources are still sourced in other currencies against which the Rand has lost ground) and the increased cost of scarce and skilled academic staff. The Department has recognised the impact of the 2016 0% increase as well as the cost of insourcing. While there was some additional funding to address the 0% increase it was not sufficient and there are serious consequences for low increases in the next few years.
- The Universities' warning that there will be serious financial consequences to another year of 0% fee increases has it seems been heeded. There is no room then in University budgets to accommodate even a small proportion of fee free students without support from one or other source to offset the expenses.
- The South African Higher Education system is not optimally efficient. Throughput and graduation rates are lower than desired and there may well be areas of organisational structure that could be attended to. If the former was addressed more graduates graduating sooner may result in an increase in the repayment of NSFAS funds and therefore more funds for new students and less stress on institutions with repeating students. Organisational restructuring may also lead to some saving particularly in management heavy institutions.

- Those that can pay for higher education – including public higher education – should do so. This fact means that some *de facto* subsidisation of the poorer students by the wealthier ones is inevitable even if indirectly and the reality is that it is morally and socially correct and necessary. Fees from fee paying students is however, not an endless source of income for institutions and it is skewed by institution with several of the more financially stable institutions already having more access to fee paying students.
- It should also be noted that some institutions carrying a higher burden of students not able to pay fees also have to contend with the fact that the basic living needs of these same students are also not catered for. The full range of poverty scenarios translating in to the kind of support students receive are not equally spread across institutions.
- It would follow that an institutional model of fee paying and fee free students in some kind of determined ratio is not necessarily an equitable model as some students not able to pay fees have greater additional support needs than others.
- Some institutions being designated as “fee free” as has been done at the schooling level is also not supported as a solution as it entrenches class divides and may in fact have serious quality consequences in terms of the quality of academics that can be attracted and/or the investment in knowledge creation through research. Discretionary spending and the ability to attract top academics are associated with things like research output and institutional ranking and “fee free” Universities may inhibit the competitiveness of some institutions.
- A universal fee free system privileges the rich without solving the problem of the poor.
- A tiered model (the extent of the subsidy to compensate for loss of fee income based on affordability measures) may be the most equitable but it is probably very onerous to implement with the risks of abuse being extended to far more people than is currently the case as all students would need to be assessed (except those that agree to pay full fees).
- It is therefore proposed that
 - Universities be permitted to continue charging fees and levying increases (this seems to have been accepted by the Ministry already)
 - The ceiling for NSFAS (or equivalent) be lifted and that this happen annually in line with CPIX. All NSFAS funding should be more tightly tied to repayment arrangements including use of the collection facilities of SARS and banks and even employers.
 - Gap funding for the students in the current missing middle as is being proposed in 2017 may be one of the solutions for reducing the growth of those in this sector that may be struggling to access or remain in higher education.
 - Fee free education for academic fees and books be provided for all students qualifying for NSFAS funding (or a new baseline be set) but that this should be accompanied with a performance based scale for repayment with less being due by students who succeed academically.
 - Universities are subsidised differently for residential accommodation and meals and meal support for students who are receiving fee assistance so that basic needs for food and shelter are met for all registered students.
 - Recognising that many in the missing middle are funding their studies with loans from commercial entities (which charge interest) it is proposed that a tax on banks that extend student loans be considered.
 - A graduate tax rather than only a repaying of loans should be handled with care as many in the missing middle and just above, incur significant debt (including interest) to pay for higher education and there would be a disproportionate burden on these people if a graduate tax and bank interest were both to be paid from starting salaries.

We note with appreciation efforts of the Department of Higher Education and Training to address the fact that many school leavers aspire only for admission to public Universities – including Universities of Technology – resulting in more mismatches between fit and aspiration than would possibly be the case if there was great social recognition of TVETS and the private sector.

It is also conceivable that access qualifications such as Higher Certificates can be more efficiently offered in the TVET sector (if properly resourced) and/or through private higher education providers resulting in Universities focusing on throughput and retention for better prepared students which is more cost effective in the long run.

19 September 2016