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SET 6 – HEARING 2 – DAY 4

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

PARTIES PRESENT:

The Chairperson
Commissioners
Head of Evidence Leaders
Evidence Leaders
Experts
Secretariat

WITNESSES:

Dr. G. Ouma – University of Pretoria
Mr. L. Mothata – Investment Solutions

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SESSION 1 – 24 FEBRUARY 2017

JUDGE: Good morning to the evidence leaders and the witnesses.

ADV. M. LEKOANE: Morning Chair.

JUDGE: Who is presenting the evidence today?

5 ADV. M. LEKOANE: Judge today we have got Dr Ouma from the University of Pretoria.

JUDGE: Yes.

ADV. M. LEKOANE: Dr Ouma is a set 6 witness and his testimony will relate to comparative models in other jurisdictions.

10 JUDGE: Thank you. Dr Ouma do you have any objection to taking the oath?

DR. G. OUMA: Not at all Chair.

JUDGE: Would you swear that the evidence that you give will be the truth the whole truth and nothing but the truth.

15 DR. G. OUMA: Yes.

JUDGE: If you do raise your right hand and say so help me God.

DR. G. OUMA: So help me God.

DR. GERALD OUMA: [d.s.s.]

JUDGE: Thank you. Miss Lekoane, will you qualify the witness as it
20 were because I would like to know what his background is.

ADV. M. LEKOANE: Yes thank you Chair. Dr Ouma can you perhaps give us a background, your employment background and the work that you do for the University of Pretoria?

DR. G. OUMA: Thank you very much. Again my name is Gerald Ouma I

am currently the director for institutional planning at the University of Pretoria, we are responsible for a lot of the data there, a lot of the analysis for decision support, we do quality assurance as well for the institution and we also do academic planning but I have got another
5 background and that is the reason I am here, I am a student of higher education so I study Universities and I study the financing of Universities as well, thank you very much.

ADV. M. LEKOANE: And how long have you been doing that Doctor?

DR. G. OUMA: I have been studying University since 2000 but I have
10 been at the University of Pretoria in my current capacity since 2013 thank you.

ADV. M. LEKOANE: Thank you. Chair Dr Ouma has prepared a presentation for us, I would ask him to proceed with it and we would ask him questions where it is necessary.

15 COMMISSIONER ALLY: Just before you proceed Doctor your doctorate is in, your educational qualifications are?

DR. G. OUMA: Thank you commissioner, I have a doctorate in higher education studies from the University of Cape Town.

JUDGE: Have you worked in any other country?

20 DR. G. OUMA: Yes I worked in Kenya where I was born, worked a bit in Southern Sudan and now here thank you.

COMMISSIONER ALLY: Proceed thanks.

DR. G. OUMA: Before I proceed, with your permission Chair may I introduce my colleague Ben Ntchabele, he will not be making any

remarks of presentation I just I asked him to accompany me so he can be part of the team.

JUDGE: He is very welcome.

DR. G. OUMA: Thank you very much. What I will be doing is I was
5 asked by Advocate Pillay to speak about higher education cost sharing
mechanisms if you will or tuition fee models across a number of
countries so what I am going to do is I am going to give a big picture you
know analysis of the various countries that I am going to be speaking to,
we wanted to mention at the moment that I will be happy to supply you
10 with more granular information should you want it afterwards.

JUDGE: Thank you.

DR. G. OUMA: You are welcome. So my presentation is divided into two
broad sections, the one section is where I do a marking of the various
tuition fee models at a fairly conceptual level and then the second part of
15 my presentation I am going to focus on country studies that speak to
those various models and so the first, there are about four or five
different, you know in a broad sense, tuition fee models that different
countries, different Universities across the world utilise. You know there
is the upfront tuition fee model, there is the deferred tuition fee model,
20 there is the fee free tuition fee model, there is also the sliding scale,
some people look at it as progressive tuition fee model and again
depending on how it is applied it can also be seen as a redistributive
tuition fee model.

And then of course the dual tuition fee model so to go straight to
25 the upfront tuition fee model as the name suggests this where students

have to pay fees upfront, the assumption here is that it is the students responsibility rather the parents responsibility to pay fees and so at the point of you know before you start taking your studies Universities expect that you pay, of course you could pay that through loans or bursaries or grants that countries provide and this system is you know utilising quite a number of countries you know Columbia, the Philippines, Italy we also see it in Chile, we see it in China, India, Indonesia, Japan you know South Africa of course and quite a number of the countries if not all the countries in Africa so you pay upfront before you can go into the University.

Of course this system it does not matter you know what your family socio economic background, the fees is uniform for all the students who going in, if you going in for engineering at University X all of you expected to pay the same amount of fees but when it comes to grants you know there is a difference where socio economic background is then considered which is the case here in South Africa for example with NSFAS so when it comes to grants then they look at your socio economic background. The other fee model is the deferred tuition fee model and as the name suggests it means you go in, do your studies and pay later, most of the time you pay after you have started working and after you have started earning a certain minimum amount then you start paying up.

Now what this system, how it differs with the previous system is that it is assumed that it is the responsibility of the student to pay fees and not the parent but in this case it is not a student it is the beneficiary

and I think that difference is very important so it is the beneficiary who has gone in, who has not paid fees when he got in, the state paid through loans, through bursaries and once you leave or graduated you start paying after you start earning your certain minimum salary threshold
5 and this system is practiced mainly into countries, in Australia we have got the higher education contribution scheme and then in the UK with the exception of Scotland where they have a very good tuition fee model.

Now another variation to this model is the graduates taxes, now with the graduate tax strictly speaking it is different from the way we
10 have had this you know being talked about in the press and people talking about it, what it means is you go in for free as in the deferred model but once you have graduated there is a sar-tax which you pay until you die okay so it is not like you charge all the graduates to pay back it is those who have benefited from the state has paid for and then
15 there is a sar-tax on your income tax and then you pay this until you die. Of course there can be variations where you can start paying that sar-tax after you start earning a certain salary threshold.

ADV. M. LEKOANE: Sorry Doctor, is this tax separate from the capital loan amount that was given?

20 DR. G. OUMA: The surtax actually is a fraction of your salary irrespective of you know when you go in you go in for free you know so you are not getting any loan at this point so the system technically when you getting in is for free, once you have graduated then the state imposes a surtax on your income and you pay this until you die and
25 some people argue that it is equitable in the sense that if you are earning

R100 000 you pay more than the guy who is earning R20 000 for example per month you know. If you become a business mogul then you earn a lot of money of course the percentage that you pay from your earnings is bigger from you know a teacher just to give an example
5 would be earning considerably less than what you would be earning but the idea here is you pay until you stop working yes.

ADV. M. LEKOANE: And what is the rationale for that because I can imagine that it is possible that that beneficiary may very well pay beyond what the tuition fee was if they are paying up to death or when they stop
10 working?

DR. G. OUMA: That is the idea, the idea is not for them to pay exactly what the state would have spent on them you know, the idea is let us move two steps back, education is treated as a public good in this case and so we will allow you to get in, we will support you but once you get in
15 you must also support the others who are coming after you to gain access to education. Secondly it is the equity element so there are those who are going to pay beyond what the state spent on them but they are also going, those who are earning far less who are going to pay probably considerably less than what the state spent on them so it is
20 almost an equalisation mechanism you know, those who earn more you pay more, those who do not earn as much as the big earners they pay less but in the final analysis the expectation is when you put the two together then there is still enough to fund students who are going to University.

25 JUDGE: What about the person who does not graduate but

nevertheless earns a good income, somebody who has been to University, does not graduate but nevertheless earns a good income, what happens to him?

DR. G. OUMA: That is an interesting question Chair, now number 1 we
5 do not have a country that strictly applies this system so I think I should
just mention that, Ethiopia thinks that they apply this system but it is
totally different but there are quite a number of things that one could do
in that case, the one could be if you drop out without a qualification then
you could pay back what the state spent on you okay but it is also not
10 difficult for the state to come up with mechanisms to recover what it
would have spent on you but that is a big challenge that you are raising
about this model you know, if you dropped out and the state has spent X
amount on you how does it get it back, shall we assume then because
the assumption is probably you have that big job or whatever job you
15 have because of the education that you have you know and if you drop
out without a qualification and you still go ahead and get a good job and
earn a salary how then does the state get its money back.

JUDGE: Is this just a theoretical model, you say there is no country that
applies it exactly?

20 DR. G. OUMA: Yes and no, yes in the sense, I mean no in the sense
that it is part of the deferred tuition model where students pay after they
have graduated, yes in the sense that so far we do not have a single
country that applies these model in its pure form.

JUDGE: Yes alright.

25 DR. G. OUMA: Thank you, thank you very much.

JUDGE: You will in due course tell us what you think would work best for South Africa I trust.

DR. G. OUMA: We will try thank you.

JUDGE: That is why we have asked you.

5 COMMISSIONER KHUMALO: Doc I wanted to check, with the countries that are effecting this graduate tax are they able to retain the graduates in the country for the tax to be levied?

DR. G. OUMA: Commissioner as I mentioned the graduate tax in its pure form so far we do not have any single country that is utilising these
10 model but in terms of graduates who stay in the country what we have seen in countries like New Zealand you know where there is an incentive for graduates who stay in the country you give them a discount or something like that or in terms of the repayments you kind of structure them in such a manner that it becomes an incentive for graduates an
15 people benefited from the public person to stay in the country and make a contribution to the country.

COMMISSIONER KHUMALO: And is it levied over and above the normal taxes?

DR. G. OUMA: That is correct it is a surtax so you pay your income tax
20 then on top of that they could say we are going to add 1 percent to cover the, I mean to recover the bursary or grant that the state spent on you for your higher education.

ADV. M. LEKOANE: Sorry Doctor just before you move on, when you speak of tuition fee here are you speaking of the full cost of study or only
25 pure tuition if I may call it that.

DR. G. OUMA: Thank you very much, it is, when I talk tuition fees I am talking exactly that, fees that you pay for you to, what is the word, just to study it is not full cost, we are not talking your living costs, we are not talking your books and we are not talking your food and travel and
5 related costs but later on when I start talking about the countries studies you will see how those are also taken care of.

ADV. M. LEKOANE: So in your deferred model a student would be responsible for their own accommodation and so forth?

DR. G. OUMA: Not at all, it depends on the financial aid system that is in
10 place in that country so for example in Norway which I will talk about under the fee free model, when you go in it is free, they pay about 500 krone for registration but then they receive you know more than 90 000 Norwegian krone per year for living costs, Norway is a very expensive country and so when the students pay back they pay you know for the
15 money they received for living costs and you will see when I talk about Norway there is again an incentive there for students who live you know on their own not with their parents far away from the University, 40 percent of what they get from the Norwegian student loan scheme is converted into a grant to support them but when it comes to the deferred
20 tuition fee it is all the state spent on you okay so if they pay the fees, if they gave you money for living costs and again when you talk about England which utilises these deferred model you will see how the state then recovers its money back.

JUDGE: Now you telling us about the schemes that exist but it would be
25 open to us to suggest any sort of variation with conditions of its own?

DR. G. OUMA: Absolutely Chair, absolutely, these models are not cast in stone, most of the models if you look at how they are applied across the various countries there are variations that take into account country specificities so it is very important that any model that we go for we kind
5 of try to indigenise it, for want of a better word, so that it speaks to the South African reality.

JUDGE: So for example it may be that there is some means of incentivising scarce skills studies?

DR. G. OUMA: Hundred percent Chair.

10 JUDGE: Yes.

DR. G. OUMA: Thank you. Chair the next model is the fee free model, it is straightforward here you do not pay fees you know you study for free and again it is applied in a number of ways, there is some permutations to this, in countries like Brazil, like Norway, the Nordics, Finland,
15 Denmark, Sweden you know the entire, everyone goes in for free and again it has to be explained here following the intervention by the Chair that in these countries the free model is what it is or has to be understood in the context of this countries political economy okay where it is culturally acceptable to pay huge taxes but in return expect the
20 government to provide these kind of services okay, so in countries like Norway for instance the public transport service is subsidised and other public services as well so in Norway all students go in for free.

In some of these countries they include even students from the EU but we seeing in countries like Denmark and Finland they are trying
25 to impose some kind of tuition fees on students coming outside of the

EU. Now the other bit is the Chilean example ...[intervenes]

JUDGE: Sorry before we come to that, Norway, Sweden, Denmark and Finland have a number of things in common, very wealthy economies, a very high employment rate and as you pointed out a strong social
5 welfare system so one can understand why they should go for fee free, why Brazil in this, how does Brazil fit into it?

DR. G. OUMA: Chair with your permission the next bit we will substantively look at the country case studies and Brazil is one of those that I will be speaking to so with your permission if you would allow then
10 I will speak to that.

JUDGE: By all means along as you will explain why Brazil is distinguished from these other countries.

DR. G. OUMA: Thank you, thank you. But again the ...[intervenes]

ADV. M. LEKOANE: Sorry Doc, sorry to interrupt, other than the strong
15 economy and the fact that these countries pay high taxes so they are able to provide fee free higher education, you mentioned earlier, I think under the deferred system that one of the considerations is that education is a public good, now is this one of the considerations in these countries, what approach do they take in extending education for free?

DR. G. OUMA: Hundred percent, hundred percent but as the Chair said when you are looking at the Nordic countries it is more about the political organisation of the country you know the entire structure of these Nordic countries you know where as the Chair said number 1 we are talking small populations almost you know 4 million, 3 million that kind of thing,
20 if the entire students in the Norwegian higher education system were to
25

say come into South Africa and then would be a very elite system, that would just be about 3 percent of you know our student population so again from a cost point of view these are very rich countries it is probably affordable. Secondly the tax regime in these countries is very, very high
5 you know, almost everyone and almost everyone pays taxes and not like in our context where just a fraction of people should be paying taxes pay taxes.

So it has to be understood in that broader context but the key point here is the ideological orientation of these countries is such that
10 higher education and other services are provided for free in courts because these money comes from the high taxes that these societies, that are culturally acceptable in these societies.

JUDGE: Would it be correct to say that generally they are socialist oriented countries?

15 DR. G. OUMA: Chair you are correct, as much as their leaders do not want, they do not like that term socialist but that is correct ja. But just to add onto that, in these kind of countries for example asking for more fees might be acceptable but say trying to retrench for want of a better word, staff would be a big problem because of that social welfare thing,
20 just to illustrate the point but then if I may move on the second model is where a section of the student population is identified for fee free education and a good example here is Chilean and I would be speaking to that under the fee free model. Then the other interesting one ...[intervenes]

25 JUDGE: Is Chile not generally society somewhat comparable to South

Africa?

DR. G. OUMA: You are hundred percent right, huge inequalities they also had their fees must fall and other related protests you know in the 2000's and so there are quite a number of correlations there and that is
5 one of the reasons why I thought it would be an interesting model to look at.

COMMISSIONER KHUMALO: Just on that note you were saying once a selected group is identified to qualify for fee free, have you done any research on how that is established, maybe the means test that they use
10 and the criteria there?

DR. G. OUMA: Commissioner with your permission again, Chair there is, when I speak about Chile I will speak to that, yes thank you very much. The sliding scale, Chair I am sure you have heard a lot of you know presentations here talking about sliding scale.

15 JUDGE: Not a lot no.

DR. G. OUMA: Not a lot, I remember when I accompanied my Vice Chancellor he made reference to a sliding scale model but the idea here is with the sliding scale model is you know tuition fees varies according to the socio economic background of each student so each one
20 according to either your need or what you are in terms of what your family collectively earns. Now there are variations here again, there is what I would call the Columbian model or the Indonesian model or even the Italian model where number one the fees is already regulated by the state, at the same time they have created a system where you know
25 students pay fees according to their socio economic backgrounds in

some kind of a sliding scale format.

Now in this model the idea is not to generate money from one group of students and subsidise another group of students it is just a question of making you know higher education accessible to all students.

5 The second model which I will be speaking to is the California model, I will be talking about it when I speak about the California model which is ...[intervenes]

COMMISSIONER ALLY: Doctor just before you go on to the California model, have you in your interaction with the academia in South Africa
10 asked the question of Universities. You see they love they love this word autonomous when they, when it suits them, when it comes to fees the Universities decides how much fees and to what extent. Government has carat and stick where they might be able to influence however the University themselves can do and choose a model that suits them, in
15 your interaction have they considered and you mentioned your Vice Chancellor mentioning the sliding scale, in South Africa I am not aware of any University that has chosen this particular model and whether they have considered and said it is not a good model for that University it could be that Usaf has discussed it at that level and as a body said well
20 they do not think it is a good model at all because we have had some testimony in the commission about a sliding scale that would not be good but the Universities themselves being autonomous should be able to consider and implement if they needed to so back to the question, in your interaction with academia, Universities, University management
25 have they considered such a model?

DR. G. OUMA: Thank you commissioner that is a very useful question.

A couple of things, I sit on the fee strategy group of Usaf and this debate has not featured there but I have also interacted with colleagues across quite a number of Universities in the country and a good number of them
5 are sympathetic to this model but the important point is when I speak to University Vice Chancellors, the answer they give is they are in fact already practicing this model in the sense that a lot of the University bursary schemes get funding from the fees that the other students pay so Universities have said look we already have some kind of a sliding
10 scale model but this is limited to a free Universities and I am not sure after you know we have it about 18 or 20 Universities financially wobbly that they can still do this but what they have said is UCT for example, University of Pretoria is another example, the University of the Witwatersrand and a couple of other Universities what they have done is
15 when student pay fees there is a fraction of that fees which they set aside and they use that to support students either directly or through NSFAS so technically speaking some of the Universities are saying they are already doing that but if you look at it at the macro level it requires quite a number of things.

20 Number one you have to means test all your students and determine which socio economic group they belong to, once you have done that then you determine what fees they are going to pay, either you can have a uniform fee where you say this is what everyone is going to pay knowing very well that 20 percent, 30 percent, 40 percent of your
25 students will not be able to pay the full fee rate and then use fees from

you know those who pay the full rate have paid to subsidise the others or decide as the Indonesian case or even the Columbian case or even the Italian case where you decide to determine particular fee levels for particular students from particular socio economic categories.

5 Now when the Department of Higher Education said that students from the so called middle, what do you call them again, missing middle and the working class backgrounds are going, the state is going to pay the increased fees for them, this was exactly the challenge the Universities was experiencing because they do not have data you know
10 where they can determine who exactly is missing middle and who exactly is working class so that data is not systematically captured across all the Universities but they are trying to capture that so my view is commissioner it is doable.

COMMISSIONER ALLY: Thank you.

15 DR. G. OUMA: Thank you very much. But the second you know broader I mention about this model is the California model and I will speak to that when I get to that section of my presentation where they say okay fine this is the fees about 15 or so thousand adolis. Now the fees is priced way over and above what should be the actual cost of going to higher
20 education in this particular system but because they live in a society with huge inequalities they decide okay we are going to price it far higher than the actual cost hoping that the rich kids once they pay the full rate then we can use some of that money to support the poor students and I will demonstrate that when I speak about the California system.

25 Chairperson the other model is the so called dual tuition fee

model which is a very interesting one you know, what this does and it is practiced in quite a number of countries you know, a lot of countries in Eastern Europe, Russia, the Russian Federation, Estonia, Latvia, in Africa as well, Kenya, Uganda, Tanzania, Egypt, Pakistan practices this as well, India as I have demonstrated in my presentation, it creates two classes of students for want of a better word, the one group are those who are considered to be high performers who have passed their matriculation exams and the state either over subsidises them or in certain instances they actually go in for free but then they create another class of students who are told look here we have got some capacity, if you want to come in you are welcome but you are going to pay either the full rate or a substantial amount of fees so then you have got two streams of students, you have got one stream of students who are subsidised by the state, in certain cases they pay nominal fees like in the Indian case, in the Russian Federation as well and then you have got another stream of students who pay the full rate, at times even more so that is how the dual track system works Chair.

COMMISSIONER KHUMALO: Doctor I do not know if you are able to move the presentation so that it goes with, the slides to go with your presentation.

DR. G. OUMA: Oh sorry.

COMMISSIONER KHUMALO: We are stuck on the first slide.

DR. G. OUMA: My apologies, thank you very much. Now let us look at the country case studies, you know looking at the various tuition fee models and I am now going to start with China to kind of demonstrate, I

was asked to speak about is to just demonstrate how the Chinese go about the upfront tuition fee model but a bit of background. We all know that Mao China was communist socialist if you will, higher education was free but with many free systems, the UK before 1998, Australia before
5 1989, very small very elitist because of affordability reasons.

Now the post Mao China around 1997 they decided to open it up and they decided to open up by fast going the dual track system so the idea was still to maintain some kind of a façade of you know we are still over subsidising higher education so they then opened up and they
10 decided that we are going to have a stream that we are going to fully subsidise almost for free, come in for free and we are going to have another stream that are going to pay full fees with the exception of teachers. Back to your point Chairperson because In the Chinese system teachers are considered a very important, I mean it is a scarce
15 skill so as a way of incentivising then the aptic was so major such that in 1998 they decided everyone is going to pay fees but more importantly that is the time when the Chinese society was also embracing market economics you know on a full scale.

So from 1998 all Chinese Universities started charging fees but
20 again as is typical of a communist command system they said okay wait a minute we are going to impose controls you are not going to charge as you please so the Minister of education in China provides guidelines that determine how fees is charged by the Chinese public higher education institutions but the important point about these guidelines is that the fees
25 that students are charged should not exceed 25 percent if I am not

mistaken of the annual per student costs but these costs exclude of course staff salaries and buildings and all that so you can charge fees but you should not exceed 25 percent of the annual per student costs, exceeding costs related to, sorry commissioner.

5 COMMISSIONER ALLY: No, no I thought maybe you were qualifying and clarifying what they mean by the per student cost because 25 percent of what is that cost up to so I thought you were going into clarify what that meant.

DR. G. OUMA: The 25 percent?

10 COMMISSIONER ALLY: Not the 25 percent, you see you saying they can charge, the ministry says you can charge the tuition fee can only be a maximum of 25 percent of the per student cost, now what is that per student cost, does it relate to the cause, does it relate to the program, what does it relate to, so it is 25 percent of how is per student cost
15 defined.

DR. G. OUMA: Thank you very much commissioner. Just before I answer you directly, South African Universities when they are increasing fees they almost do this kind of thing where they look at what it costs to offer program X and so they determine that given you know the number
20 of enrolments, given the changes you know in terms of inflation the cost of books for instance, jano subscriptions and other things you know staff related costs and then they determined that for us to be able to maintain a real you know maintain real income in terms of program X we are going to charge X percent such that at Universities for instance at the
25 University of Pretoria previous you would see you know the percentage

increase varied from program to program so it was this kind of thing so Universities and different Universities have got different cost structures, a University like the University of Cape Town which is research intensive you know the cost structure is quite big you know because of course
5 research is quite expensive, laboratory equipment and consumables and all those things.

COMMISSIONER ALLY: So in a nutshell it would mean it would be for instance what it would cost a BCom student maximally so you would say 25 percent of that maximum you can charge, you cannot charge more
10 than the 25 percent.

DR. G. OUMA: Hundred percent, so a University determines how much is it going to cost us to deliver program X and so they determine it is a R100 000 and then in the Chinese context you are not allowed to charge more than 25 percent of that.

15 COMMISSIONER ALLY: Thank you.

JUDGE: Who pays the other 75 percent?

DR. G. OUMA: The state. But there is a challenge here, because the counting is very bad in the Chinese system and so it is difficult to determine what the exact 25 percent is but the other challenge is that the
20 monitoring is so bad and what has happened is the fees has increased, you know it has gone over the roof, you know it has gone beyond the 25 percent and it is having huge implications, but let me pause here and just refer you for example to the system in Spain which uses this kind of model which they call the shares approach where states are told, I mean
25 you know Spain is a decentralised system where regions are told okay

Universities cannot charge X percent of what it costs to offer the program, what they have done in Spain is then they developed a cost accounting model to be able to determine you know how exactly do you arrive at this 25 percent or 20 percent or 30 percent as the case might
5 be. In the Chinese case they have not been able to come up with such a model that the state or the Universities can accurately estimate what this 25 percent is so what we have seen then, again because of you know demand pressures many students wanted to come in the Universities have increased fees in fact over and above the 25 percent.

10 But their neighbours the Japanese just used to emphasise the point where tuition fees is also regulated they are allowed 10 percent but in the Japanese situation they kind of stay within that 10 percent and talking to colleagues in Japan the argument was, I mean they stay within the range that is defined by government they hardly go beyond the 10
15 percent as Japan allows them to charge 10 percent above the minimum that the state sets. The reason I was given was because of the cultural context in Japan where you defer to government if they say it is these then you stay there but then in China again like I said because of the difficulty of accurately determining what this 25 percent is there is a big
20 trouble.

Now what has happened in China is such that they have huge access challenges especially outside of the coastal regions, you know the coastal regions in China are richer than the other regions so they have huge access challenges there, the inequalities are growing. Rural
25 China as well there is a lot of exclusion there that is happening as a

result of this, of course there is a scheme to try and support students you know who cannot afford to pay the fees but like any other tuition fee or student aid scheme you know the money is not always enough for all the students who deserve it or require it but more importantly according to
5 studies that I have done in China they would prefer that their students before even going to Universities they are given an assurance that if you go in you will get this amount so there is that sensitivity from poor students now choosing to do other things because they think they cannot afford or they think they will not receive sufficient funding from the state

10 So again the Chinese system huge equity challenges here that the country is experiencing but I should add that we have seen huge growth in enrolments even with the increase of the fees, it is not dealt enrolments, the Chinese system has in fact massified because of these new cost sharing regimes so the fact that opportunities were created and
15 the Chinese were told if you can pay you can come in it has pushed up enrolments very tremendously.

COMMISSIONER ALLY: Which is reflected in the South African society also today where you had the massification without subsidy following that massification hence the Universities were then of the opinion that
20 they need to increase the fees in order to stay with what they would call the Hepi higher education, you know what I am talking about, so price index, so what happened in China between as you say 96 you had 8.3 percent by the year 2010 it was 26.5 percent in terms of students coming into the system, South Africa the same had happened that once they had
25 said well we need to start educating our kids, the enrolment system that

is applied meant that there was not enough money for everybody and hence the current, well the current as I see it the current stalemate in the sense of while you want many people to be educated you do not have all the money for them to be educated similarly what China went through at
5 that particular time. Now how have they been able to deal with that situation in China if at all?

DR. G. OUMA: Thank you very much. A couple of things, the point you have made is true of almost all higher education systems that charge fees. In the UK they massified after they scrapped free higher education
10 in 1998, in Australia they massified after they scrapped fee free higher education in 1989 where the numbers almost doubled from 360 000 in 1988 or 89 to about 800 000 to two, three years ago. The same in African countries which have introduced these dual track systems, you know Kenya for example you know about four years ago total enrolment
15 in the entire system was less than 200 000, today they sit at about 500 000 so I guess the important point here for me is tuition fees with all its challenges creates capacity within a system to be able to open up and bring in more people.

But of course there is a challenge, the Chinese as you correctly
20 pointed out commissioner were then the poor, those from disadvantaged socio economic backgrounds experienced quite a lot of challenges in terms of getting in, now what the Chinese have done is they have come up with a student financial aid scheme to support these students. At some point what they did was students who went in for education or
25 military studies they were given tuition fee waivers just like our Funza

Lushaka here so you do not pay fees but the amount of demand or the extent of demand for financial aid exceeds what the state is putting in and so we still have a substantial number of Chinese students who deserve just like in NSFAS case student financial aid were not getting it
5 and as I mentioned earlier a lot of those who were affected by this are those from the poor parts of the country and also from the rural areas so the financial aid scheme and you will see these in many countries, the US as well you know we have experienced here where there is a lot of demand and where we are seeing lots of inequalities. In Brazil is a good
10 example, student financial aid is not always enough to meet the demand that is there.

COMMISSIONER ALLY: Okay thank you.

DR. G. OUMA: Thank you very much commissioner, if I may proceed, so that is the story with China, 25 percent of total student cost there is no
15 cost, good cost accounting system so it is difficult to accurately determine what this 25 percent is, they have got a financial aid scheme, again it has got its own challenges, you know the students, many students who desire support are not getting support. Let us move to Australia
...[intervenes]

20 ADV. M. LEKOANE: Sorry Doctor just before we move on, if I may go back to slide 8 where you speak about the maximum cap of 25 percent, so they could charge up to that amount and the state 75 percent, now what happens where the total does not cover the actual cost of studying?

DR. G. OUMA: The total?

25 JUDGE: Let me put it this way, you said there were guidelines, the state

had guidelines as to how Universities must determine their tuition now is that the actual cost of the tuition of what it will cost to educate that students so if it is R100 for example, let us say after you go through the guidelines exercise you come up to R100 as to what it will cost to
5 educate one student, now the government will pay 75 percent of that and then the University the 25 percent so they can go up to a maximum of 25 percent, am I correct.

DR. G. OUMA: Yes.

ADV. M. LEKOANE: Okay I just wanted clarity.

10 DR. G. OUMA: If I may add, one reason the fees is going up is because the state is not meeting its part of the bargain, you know as you said commissioner and so Universities are left with no choice but to increase fees and this is not a Chinese peculiarity we experience it here, we experience it I almost all countries in the world especially where there is
15 a commitment that X percentage of your costs will be covered by the exchequer that hardly happens in almost all the jurisdictions I have looked at and that is part of the dilemma that Universities find themselves in you know, what do you do, so it is easier for them to push that to students you know to be able to meet their costs.

20 ADV. M. LEKOANE: So what is the consequence on an institution who charges above the cap, is there one for China?

DR. G. OUMA: There are supposed to be consequences because remember this is a command driven system, there is supposed to be consequences but number one because they do not have a proper cost
25 accounting system it is almost difficult you know, the only way they

determine is when they look at the total income and they see that income from tuition fees actually accounted for 30 percent of the total income that the University generated but that is different from what they need in terms of cost of the program, yes thanks.

5 But your permission again the one thing that we have seen with many countries there is what some people call, political scientists call it compensatory legitimation where you create the impression that you are providing something for free, subsidised, but in the real sense you are not providing it so it is a legitimacy seeking thing so you create this
10 façade out there that we are going to subsidise it that you cannot go beyond 25 percent okay so that should there be pressure, political pressure you can say no, no, no you do not go beyond 25 percent but quietly my sense is probably the Chinese guy meant he is Hepi for the fees to go beyond 25 percent, that is my view Chair.

15 If I may continue, the Australian model they referred tuition fee model, this is a very interesting model, it has gone through quite a number of changes over the years, as already mentioned you know between 1974, 1989 Australia had a fee free system, before that they had a tuition fee system, they have been changing in a cost sharing
20 system and so in 1989 they decide to do away with fee free higher education and they introduce the higher education contribution scheme. Now the key elements of this scheme is that students do not pay fees upfront, the fees is paid by this scheme, by the state in other words and after a student has graduated and you have gotten a job and you earning
25 a minimum threshold that is determined almost every year then you start

paying back.

Now what are some of the key features of this scheme, number
1 once you have been admitted and you decide that you want to benefit
from this scheme there is a form you complete, you inform the University
5 and what does the University do, it immediately informs the tax man or
tax woman why because this is collected by the tax office you know so it
is not like our NSFAS here where the changes are going on but it is not
like our NSFAS here, their ones you know that information is given to the
tax authorities and they load that information in the system, once you
10 start earning they start deducting as per the requirements that are in
place.

Secondly what this scheme has done is when it started they had
tuition fee caps, initially they were very rigid, they divided the various
University programs into about 3 bands, you know like the sciences, the
15 humanities and you know the engineering and technology and determine
what fees will be charged for those programs but they have been
changing these over time, now they have got a ceiling as well, I think it is
25 percent if I am not mistaken over and above what you can charge for
that particular program but in 2014 there was an attempt in parliament, I
20 think it was the Turnbull administration where they thought let us do
away with this cap so that Universities can charge as much as they want
but of course that was resisted and they still keep the current caps.

The other important point here is, initially I mean one could pay
upfront and you can still pay upfront if you so wish, if your parent can pay
25 upfront you can do that, there was an incentive earlier on that if you pay

upfront at least 500 Australian dollars and above you would get a discount, I think it was 25 percent at some point, it has been going down 10 percent, they have now taken it out, the idea was to incentivise those parents who could pay for their children to pay upfront but of course they
5 have taken that out because of the economic situation so right now you can pay upfront but you will not get any discount.

What happened was if you got a discount the state would give to the University the equivalent amount of the discount so the University would not be disadvantaged, they would still get the full amount due to
10 them for the program in which the student is admitted. Back to the payments the same thing, for many years if you wanted to voluntarily pay over and above what is deducted from your tax you would get a bonus okay so if you decide okay you are going to take 2000 dollars from my salary but I want in between to give you 1000 dollars so that I can
15 shorten the period of payment you would get a bonus from the state and again they have been reducing this over time, I think last year if I am not mistaken they did away with that.

The other important feature of this scheme is that you only start paying fees when you start, just like NSFAS, when you earn a certain
20 minimum threshold, again that is changed you know depending on you know inflation and other considerations, it is not cast in stone so that keeps changing ...[intervenes]

JUDGE: Not the principle but the percentage, not the principle that changes but the percentage that changes?

25 DR. G. OUMA: Yes, yes the percentage changes yes, where was I, okay

what the other important feature of this scheme is that if and this is important in the South African context, if for one reason or the other somebody who earns the minimum threshold is in no position to pay back there is room for that payment to be deferred until when you are
5 able to pay. Now why am I saying it has got good implications for us, there has been discussion around the so called black tax where black students come from families where they are first generation University students so they may get good jobs and big monies but they have got responsibility for an entire village, you know you have got to build a
10 house for your uncle, you have got to build a house for your brother, pay your parents medical bills and all those kinds of things so in the Australian system if for some reason you are not able even though you are earning the minimum threshold upon which you would start repaying then you can kind of make representations.

15 COMMISSIONER ALLY: Now you start muddying the waters, in this situation or the Australian situation as it were, are you able to perhaps give us an idea of how that is dealt with, namely that you have reached the minimum threshold at which you should be paying back, one of the reasons you have transposed it to South Africa and said well black tax
20 the person is now not able to pay back, in the Australian situation what factors did they take into account and how is it evaluated, administered to determine that you are not able to pay back now but at a later stage?

DR. G. OUMA: Thank you commissioner that is a very good question, there is a criteria, I would be happy to supply you with a more in-depth
25 thing but what I know is there is a criteria that they consider, of course

the black tax situation I do not think is very prevalent in Australia but there is a criteria that they consider, you probably were indisposed for example and you exhausted all your resources and you are not able to meet your commitments to X but I will happily look for the detailed
5 criteria and supply it to you.

COMMISSIONER ALLY: If you can provide that please.

DR. G. OUMA: Thank you very much.

COMMISSIONER KHUMALO: Just on the previous slide, when you were referring to the incentive that comes with the payments when a
10 person makes the, does that payment cross subsidise or what becomes the status of that payment?

DR. G. OUMA: Could you repeat your question please.

COMMISSIONER KHUMALO: Remember you were saying over and above what is being paid, if you feel you have got extra you can just pay
15 that, was there a submission to that effect?

DR. G. OUMA: The thing is, remember the repayments, the debts that Australian students who benefited from the Hex Scheme that is collected through the tax system so it comes from your income tax, I mean when you are being taxed it is one of the things that they collect but you could
20 feel, just like a mortgage, if you have a mortgage you could feel that look I can give the bank you know on my own R200 more you know so that I can quickly dispose of the debt so what they did previously was for those who could pay these other amount over and above what the tax people collected from your salary then you got a bonus, it was some kind of
25 incentive, the point being the money you get today probably has got

more value, you can do a lot more with it than the money you are going to get four, five years from now so that was the idea to incentivise people to dispose of whatever they owed Hex sooner than it would be if it was limited to the tax collections from your income.

5 COMMISSIONER KHUMALO: Yes that is the status of that I want to establish, does it go back to the scheme or does it go back to the Australian taxation office and it gets redistributed, what happens to those funds?

DR. G. OUMA: Okay I get it, commissioner it goes back to the scheme,
10 remember this is money you are paying because you owe the scheme and the tax authorities collect it obo the state so the money is collected for that scheme but again like I said you know tax is a very complex issue so I am happy to find out, I do not know where the money goes to the tax authorities whether they consider it as part of the tax collections
15 they collect together with the other taxes or whether there is a special kitty for Hex where the money goes into you know that I can find out but what I know is the money of course goes towards disposing of what you owe the Hex.

COMMISSIONER KHUMALO: And then when you find out, if you can
20 find out if it goes back to the scheme and then does it benefit more students going forward, does it make the scheme sustainable or if it goes to the taxation and then it, you know what I am saying, you see where I am going with that?

DR. G. OUMA: Your latter question, of course if the money is paid now
25 and goes into the scheme then it means the pass is bigger and many

students can benefit but like I promised I will look at the actual mechanics in terms of how it works but you raising a very important question around the sustainability of you know student financial aid schemes, I do not know of any that could say strictly that it is self sustainable for obviously reasons, they are going to be defaulters, these people are paying over a long period of time, if it is tied to a certain income threshold there are those who are not going to earn that money even though they owe you over a period of time.

So governments would be better off setting aside sufficient amounts to support the scheme as opposed to imagining that the collections are going to make the scheme kind of sustain itself, it is just not possible, there are inflation issues there as well you know so I do not know of any scheme of this nature that is self sustainable where the state pumps in money once and then it stands a minute, keeps moving on depending on the collections that it gets, ja.

COMMISSIONER KHUMALO: Just sorry to take you back, on the previous slides you mentioned something about scarce skills in China and you said like teachers are scarce skills, is there a study that has been done in where a scarce skill in a global sense, what are scarce skills or is it unique to each region like here in South Africa clearly teachers are not a scarce skill because there is quite a number of them but you are mentioning that in China it is?

DR. G. OUMA: Commissioner teachers are a scarce skill in South Africa hence the Funza Lushaka scheme but to answer your ...[intervenes]

COMMISSIONER KHUMALO: I must be educated on that.

DR. G. OUMA: It is your STEM courses, science, engineering, technology, mathematics, teacher education is one of them and all postgraduate qualifications but your other question it is country specific you know, in country like India for example they have got lots of
5 engineers and doctors for example, in other countries that is not the case so but globally the discourse is that you know there are scarce skills in the so called stem areas, you know your science, technology, engineering and mathematics area but the extent of the scarcity is country specific, yes thanks.

10 COMMISSIONER KHUMALO: So determination cannot be made on a global sense on you know maybe if a decision is to be made on the funding of scarce skills it is a discussion to be had.

DR. G. OUMA: It has to be country specific, luckily for a country like South Africa it is a conversation that has been had already, the state has
15 already designated those skills that it consider scarce, I think it regularly produces data that shows where the shortages are, Home Affairs is involved in these in terms of you know people coming into the country, who should be allowed in on account of scarce skills and those kinds of things but like I said globally it is generally considered that skills within
20 the STEM domain, the science, technology, engineering and mathematics domain, I generally consider to be scarce but again like I said the extent of the scarcity varies from country to country.

In fields like education generally the idea of incentivising students to go into it is generally because countries fear they are left on
25 their own students will think look you know I am not going to get good

returns from becoming a teacher and so how do you incentivise students to go into education if on their own they would prefer to do something else and I suspect that is one reason Funza Lushaka was crafted to attract students with very good grades who ordinarily would prefer to study other things and try to get them into teacher education.

COMMISSIONER KHUMALO: No thanks Doc I digress.

DR. G. OUMA: So generally Chairperson that is how the higher education contributions scheme of Australia works, just to recap you know you do not pay upfront fees, if you choose to pay upfront fees you can pay. There are those who decided to do 50/50 they decide they are going to pay some upfront and the state is going to support them. After you have graduated the state starts getting back its money once you have hit a certain minimum threshold. There is a conversation going on in Australia whether they should stagger the percentage depending on the income that you getting so that if you are earning significantly more than the minimum threshold should they move it you know higher than the minimum that they charge.

Another important point about the Australian system is that they have taken away those incentives, previously if you paid upfront you got a discount and if you paid more than what the tax authorities collected from your income you got a bonus they are now taking that away. There are conversations again to take out the tuition fee caps, it is like I said 2014 you know there was a presentation in the Australian parliament but it was kind of suspended, I will not be surprised if in a couple of years it is going to come back. But the other important point here is if you

should die before you have disposed of your HECS commitments the loan is written off, okay.

Shall we talk about England then, now England is an interesting one, it is in a sense a poor cousin of HECS for want of a better word.

5 Now almost 10 years after the Australians came up with HECS the UK around 1998 decided also to do away with fee free higher education and introduced some cost sharing. Now what they did was they decided ...[intervenes]

COMMISSIONER KHUMALO: Sorry Doc what was the status quo
10 before they did away with fee free, what was the situation was everything paid for?

DR. G. OUMA: Yes.

COMMISSIONER KHUMALO: Tuition everything.

DR. G. OUMA: Yes, in fact what we see in a number of African countries
15 the history of fee free higher education north of the Limpopo is a colonial legacy okay, the UK the education was free so they introduced the same thing in the colonies. The same thing in India you know they introduced free education. France which still has fee free education in their books. They do the same thing in so called Francophone Africa. The same
20 thing with the Portuguese you know but of course then we lacked it after independence, many of us saw it as one of those fruits of independence but again like I said 1998 the UK decides look this is too expensive we cannot afford it, it was an elite system it was not growing, there was not enough going into higher education to expand, remember the EU was
25 now growing and the competitiveness of the UK was becoming

problematic and the idea was if introduce fees then you grow, you massify the system and you have got more UK people with skills and can compete favourably across the EU and across the world.

5 So what did they do in 1998 they decided to introduce fees and capped it at 1000 UK pounds at that time. Now how does this work, of course over time they have changed it, at some point they moved to 3000 pounds, in 2012 they moved it to 9000 pounds, the assumption here was if you create a cap then different Universities are going to place themselves in this range differently so there are those who are
10 going to be charged the maximum, there are those who are going to be charged significantly less, the idea was to introduce some kind of an economic market in the higher education market where price becomes a signal for quality you know that if you are going to Oxford University is charging you X amount of pounds then you are getting a good quality
15 education and if you going to Queen Mary in Central London and is charging you X amount then probably that tells you the difference between Queen Mary and Oxford but of course as you probably know that was not the case, what happened was everyone, Newcastle, Queen Mary and all these Universities went for the ceiling so that you have
20 created a market within the higher education system did not materialise it became a very inefficient system you know where you know students are left with minimal choice in a sense, everyone is charging the same amount you know and of course it is a system that they are still discussing in terms of what to do.

25 The other thing that they did in 1998 was to do away with

maintenance grants so they decided okay fine you know we are going to give you maintenance loans as opposed to maintenance grants but what they did to cushion the poor was to maintenance grants for the very poor ...[intervenes]

5 ADV. M. LEKOANE: Sorry Doctor what is a maintenance loan or grant?

DR. G. OUMA: Transport and your food and those kind of things ja, ja, the kind of sundries and all that ja. So what they did was they maintained these maintenance grant for the very poor but about two years ago if I am not mistaken 2015 these maintenance grant has now
10 been converted into a loan and that is where there is a big debate you know so they have increased the size of the maintenance loan and now they are saying you know the poor students who previously benefited for the maintenance grant are going to incur lots of debt. Now the other thing is, remember this is locked in, you know the cap is locked in, it
15 does not change like you know a case annually with HEPI or whether a CPI or HEPI it does not change and so what it technically means is English Universities receive less funding year on year because of inflation.

Now in 2013 Oxford, the Vice Chancellor Oxford University made
20 the point that the actual cost you know for offering an Oxford and a graduate qualification was in fact 16 000 pounds and it is more expensive because remember it is not differentiated across programs it is even more expensive for Universities that are offering you a very expensive programs in veterinary sciences and engineering and those
25 kinds of programs and so what it has done it has also discouraged

English Universities that offer these expensive programs from expanding these programs you know because the size of the funding that is coming in is not adequate.

COMMISSIONER KHUMALO: Doc can I just, maybe bring, I think we
5 got a submission to the effect that in England there is more vocational interest other than University so in that the numbers of students going to varsity would be falace, would that have an impact on the system in terms of ...[intervenes]

DR. G. OUMA: Yes and no, let me explain the yes using the South
10 African example. We have got a so called inverted pyramid here in South Africa where about plus minus a million students go to University and about 900 000 if I am not mistaken thereabout go to your Tvet colleges, of course that puts a lot of pressure onto Universities and probably quite a number of the students who are wanting to go to
15 Universities would be better served by going to Tvet colleges. Now we know that Universities are very expensive so if a student would get the same kind of qualification in a Tvet college that means you are spending a lot less on this student compared to what you would spend on this student going to the University, professors are very expensive so he is
20 coming to University, he is going to be taught by a, it does not matter that he is doing a program that could easily be done at a Tvet college so from a cost point of view yes.

But also from a demand point of view which then partly answers the norbit of my response how the UK demand for higher education has
25 been the idea was to create a fairly differentiated system but remember

when they introduce tuition fees they also did away with the binary system because previously they had a polytechnic system and the University system just like your technicians here and Universities so they did away with that, they unified the system you know but so depending
5 on the demand. Now what we are seeing if you look at the data coming from say the office for fair access or even the higher education funding council of England the demand is going up so yes there is the vocational bit but it has not significantly lessened the demand for higher education but it is important that you have got to differentiated post school system
10 where students can go and have different opportunities to pursue whatever they want to pursue.

JUDGE: I was reading last week or the week before in the paper, in a British paper that the decision has been taken that more attention should be given to the technical side of higher education at the expense of the
15 Universities and this is something that is troubling me.

DR. G. OUMA: Ja Chair you are right, in fact they have been practicing that *de facto* you know many years before that I mean since about five, six years ago where if you look at the funding for research the bulk of it is going to your stem areas, you know about 10 years ago a number of
20 British Universities closed down you know programs in humanities and social sciences because the funding was going down so the funding for social sciences and humanities in the UK has over the past decade or probably even more been plummeting so that is correct they seem to be shifting their focus on supporting the so called you know technical fields.

25 JUDGE: Is it true that all previous polytechnics are now called

Universities?

DR. G. OUMA: If I am not mistaken when they decided to do away the binary system all the polytechnics became Universities.

JUDGE: And has that in any way helped to raise the image of the technical University so to say but *vis-à-vis* the academic Universities.

DR. G. OUMA: That is a tough question Chair, the rationale in fact if I may just give a bit of historical background was to improve competitiveness within the EU once they opened up borders and so they did not want to have some their graduates with diplomas competing with people from the other EU countries with degrees so the political reason for that was let us unify this, get them, tie them into Universities and then you know increase the competitiveness of graduates from the higher education system in England. In terms of prestige and all that you know the UK is a very, higher education system is a very, it is class based if I may use that word and your Oxbridge is still at the top of you know the system.

I do not think that technical institutions because of the prestige comes from the research side of things more than the teaching side of things so you know your Oxbridge is still at the top, your London Universities are still at the top, if you look at the likings we do not see a lot of your previously technical institutions making into the top 100 or 200 even.

COMMISSIONER KHUMALO: Doc what is the status of private Universities in the scheme?

DR. G. OUMA: You would be very lucky to find them in the UK.

COMMISSIONER KHUMALO: City Universities.

DR. G. OUMA: Ja it is not a sector that maybe for historical reasons it is not a sector, you know a continental Europe is not reknown for their higher education it is beginning to happen, it is beginning to happen but
5 it is not very established you know it is not like you would find in countries like Korea, South Korea or Japan or the US or even in Latin America, Brazil for example where there is a vibrant well developed private higher education system. In the UK and continental Europe it is beginning to show but it is not really gotten to a point where for example
10 they are absorbing quite a lot of students compared to the public higher education institutions where they are considered to be you know more prestigious than the public higher education institutions. The US is different, prestigious institutions in the US are your private Universities, your Cornell's, your Stanford's you know and those kinds of higher
15 institutions.

COMMISSIONER KHUMALO: Are they included in these schemes as far as you know?

DR. G. OUMA: The UK this is mainly for the public because remember, ah ja this is mainly for the public where they are controlling fees ja, ja,
20 this is for the public. But I thought an important point that I should mention about the UK other than the fact that every institution decided to go for the full you know amount permissible is the office for fair access OFFA, it is a very important office. The thing is, the expectation is that the Universities will not charge the maximum amount permissible, that
25 they will stay within a certain range but should you want to charge the

maximum amount permissible or go beyond a certain amount you need to get permission from the office for fair access so what you need to do is to make a presentation to these office and tell them I want to charge 8850 pounds but these are the measures I am going to put in place to
5 make sure that students from poor socio economic backgrounds are not affected negatively you know, these are the bursaries I am going to set aside to support these students.

JUDGE: Does this apply to courses, to faculties or to the cost of University as a whole, how does this fair access office work?

10 DR. G. OUMA: Chair remember the ceiling has already been set at 9000 and so all Universities are expected not to charge more than 9000 so that is already set per program.

JUDGE: Oh for a program.

DR. G. OUMA: For a program yes.

15 JUDGE: I see right.

DR. G. OUMA: So should University X and what we have seen one of the limitations of this system is that even within institutions that influence is gone because if you are going to offer veterinary sciences 9000 pounds is probably not enough so you charge 9000 as well for history so
20 you can cross-subsidise you know within the same institution, so that is one of the weaknesses of the system because even programs that should be cheaper are being charged the same higher levels in order to subsidise the very expensive programs but back to the office for fair access. So if University X decides that look here I need to charge about
25 X amount of money for my programs then you prepare a proposal, you

apply to the office for fair access to get the permission to do that and what the office of fair access looks for is what interventions, what measures are you putting in place to make sure that you know poor students can still get in, they are not going to be disadvantaged, what
5 kind of financial aid system that you are going to put in to support these students and other kinds of measures that you are going to put in.

Once the office for fair access is satisfied that everything is in place to support poor students then you get the green light to charge whatever you want to charge, of course there is a ceiling, should you
10 decide to ignore these guys and go ahead and charge what you want what the office for fair access does is they inform the Higher Education Funding Council of England that this guy is charging X amount beyond what he is allowed or she is allowed without our permission and because the HEFC is the one that is basis funding to Universities they deduct the
15 equivalent amount of what you charged without their permission from the subsidy that you get.

JUDGE: But now does this apply to all Universities in England, are Universities like Oxford and Cambridge not excluded from this?

DR. G. OUMA: Not at all, that is part of the problem they are all treated
20 the same, they are all treated the same precisely my earlier point that ...[intervenes]

JUDGE: So does every student in England who wants to go to University have an equal chance of getting into Oxford and Cambridge?

DR. G. OUMA: Can you say that again please?

25 JUDGE: Does every student who desires to go to University have an

equal chance of getting into Oxford and Cambridge?

DR. G. OUMA: Technically yes, technically yes but of course we know Oxford and Cambridge they admit you know the crème de la crème of you know the Eaton's and you know those kinds of students but
5 technically yes if you meet the requirements.

JUDGE: Is that admission done then on the basic of merit?

DR. G. OUMA: Absolutely, it is still a very mediocratic system, it is based on merit, again just to give an example and I do not mean to say negative things about Queen Mary University in Central London you
10 know the kinds of students they would admit, as much as there is a minimum just like in our case you know the Burchell exemption but different Universities ask for different things even here in our context you could get into University X to study law with a certain performance in matric but the same performance might not get you into University Y for
15 the same low program.

JUDGE: Well that necessarily then leads to gradations in University systems so you could says that Level A is just for example Oxford and Cambridge and Level B is Durham and so you work down and everybody then classifies the Universities to a particular notion or standard.

DR. G. OUMA: Chairperson you are hundred percent right let me give
20 you the Australian example. They have got the so called group of 8 you know the top 8 Universities in Australia, your Melbourne, Sydney and them you know. In England I think they have got a similar kind of formation I am just trying to remember the name but yeah they have got,
25 the Russell Group, ja these are your elite institutions you know. The US

as well you have got your Ivy League type of institutions so it is a very
you know ...[intervenes]

JUDGE: Is that an inevitable result of training students academically?

DR. G. OUMA: Well Chair.

5 JUDGE: That the cream will come to the top as it were.

DR. G. OUMA: Unfortunately that is the default nature of many higher
education institutions. In places like the UK it is probably a factor of
history you know, if you look at how these Universities came into
existence Oxford and Cambridge, there key role was to train the elite
10 and that is why most of their students came from Eaton and it was more
an elite reproduction function as opposed to massifying and getting
many people and so the other institutions that come in afterwards they
kind of play the massification role you know, if you look at the public
English service people holding top positions, more than 70 percent are
15 Oxbridge graduates so in a sense Oxbridge is still performing that role of
elegy production. It is not a UK peculiarity you know ...[intervenes]

JUDGE: But at the same time it does lead to the advantage does it not
that other Universities are constantly striving to reach that level like
Durham for example.

20 DR. G. OUMA: You are hundred percent right, it is happening here in
South Africa some of the studies we have done we have seen employers
when they see UCT Pretoria they kind of take keen interest, when they
see Limpopo, I am just giving an example, they see Fort Hare they are
like should I, should I not you know so like I said it is almost a default
25 thing about higher education system where you know if you are in a

Sutton institution it kind of signals that you are getting a good quality education but you leave as a fully backed graduate and that you, whoever is employing you is getting a good value for his or her money you know. It is not desirable but unfortunately it is just the nature of
5 these things ja and it is more pronounced in Brazil, when I will talk about Brazil with the private higher education institutions a lot of them unaccredited in India as well, poor quality and these are the ones that are taking in poor students.

JUDGE: Thank you.

10 DR. G. OUMA: Thank you Chair.

ADV. M. LEKOANE: Sorry Doctor if I may just go back to the fee capping thing, you mentioned that parliament sets the cap, are institutions involved in that exercise of determining where the fee must be capped?

15 DR. G. OUMA: Thank you, that is a very important question, they probably make representations but the final decision is a parliamentary one and that is one of the big challenges here because then the decision is caught up in political considerations so if the decision has to be made close to an election year then you hold back because you are going to
20 be blamed for it and that is one reason why you are seeing these caps hanging on for a while you know the 3000 was around for quite a while since 2012 it has stayed at a 9000, two years ago they said okay fine let us find a way of, I think it is a way of gradually doing away with the caps saying we should allow institutions is to charge more than 9000 only if
25 they can demonstrate that they are providing a good quality education to

come back to your point Chairperson but then the challenge here is how are they going to determine these good quality higher education, they are asking the same students you want to charge me more fees to assess the quality of the education, well they could be honest enough
5 and say it is a good quality education but if they think that that is going to result into paying more fees I mean it is more than likely that they will say not the quality is not good enough for the fees to go up but again like I said that is the big challenge because it is a parliamentary thing so parliament has to you know make that decision.

10 JUDGE: Can I just ask you, perhaps I have missed this but what is the fee structure like comparable between Oxford and Universities lower on the packing scale than Oxford, does Oxford have a higher fee structure, does it cost more to go to Oxford than to the University of London for example or University of Nottingham?

15 DR. G. OUMA: The cost of providing education at Oxford as I mentioned earlier you know the Vice Chancellor 2013 thereabouts said it costs him about 16 000 pounds on aggregate to offer an undergraduate to qualification at Oxford but remember Oxford, Nottingham, Newcastle you know all of this they are supposed to stay within the limits set which is
20 these 9000 and what we saw was the initial idea of creating some market within the system where people charge different amounts did not happen so it is not unlikely that a University that is not considered you know top of the league would charge the same as Oxford and Cambridge.

25 JUDGE: Thank you.

COMMISSIONER KHUMALO: Just comparing that to the South African context, would that fee capping become a universal, like a country decision or is it subject to councils decision or the application for OFFA is it, so there would be a cap so then each council can decide whether or
5 not they want to apply for that?

DR. G. OUMA: If you had an OFFA-type institution in South Africa then that would be the case. Of course I am assuming you departing from the point of view that is the responsibility of the University councils to determine fees but once that cap is there and the University thinks that it
10 needs to charge more than what is permissible then it would have to apply to that office and provide a rationale for why it would want to charge beyond the cap and technically beginning this year I would say we experiencing caps, you know the 80 percent are happy that the Minister said Universities could Judge and just historical anecdote, I
15 think it was 2007 when the then Minister of Education, Naledi Pandor then education then compassed higher education you know proposed that tuition fee caps should be introduced in South Africa you know but of course then higher education South Africa and the others thought it was not a good idea and it was not pursued farther.

20 COMMISSIONER ALLY: Well presently you have the study going on by the CHE regarding capping regulations so it would seem that that, there is no well the door has not been bolted yet and that submissions will be made to the Minister regarding the capping of fees and whether regulations would probably have another explosion from Universities and
25 so forth but as far as I understand it that door has not been bolted yet.

DR. G. OUMA: Hundred percent commissioner I have been involved with the work of the CHE on the same as well ja thank you. Could we then proceed to the Brazil fee free, now looking at the time, okay we do not have a lot of time.

5 JUDGE: Do not worry about the time.

DR. G. OUMA: Thank you Chair. You know in Brazil you will see from the slides you know I decided to focus more on you know the initiatives in place to try and support poor students to go in because it is a fee free system and a public system and I remember commissioner if I am not
10 mistaken it is you who was asking you know how come Brazil are doing it for free they are not as rich as the Nordics and those kinds of things you know, there is history there but before you go to the history what happens in Brazil is that we have got a very interesting system where we have a very elite public higher education system and the mass private
15 model you know, we have students going into private Universities do not pay fees but there are loans to support them for their living costs, maintenance and all that.

Now the thing here is about you know more than 60 percent of the students who go into the public system, your University of Sao Paulo
20 and Rio de Janeiro, Campinas and all that these are students from well to do socio economic backgrounds, it is very elite, it is very small about only 30 percent of the total student population goes to public Universities in Brazil, the other 70 percent goes to private institutions and there are private institutions of different kinds, we have got good quality private
25 institutions in Brazil but we have got some that are the tail end of quality

and we seeing you know poor students, students from poor socio economic backgrounds going to these private higher education institutions so it is a very unequal kind of thing you know, the rich for want of a better word go into the public system and the poor end up into
5 the private system.

Another important point just some kind of background as well, Brazil is a system where private higher education, the secondary level, private secondary higher education is better than public secondary education you know so a lot of the kids and it is expensive of course, a
10 lot of the kids who go to these private secondary schools are the ones how end up going to the public Universities where they study for free. A lot of the students who go into the public secondary schools are from poor socio economic backgrounds and these are the ones who are cut out of the public system and end up going into the private institutions.

15 But what the Brazilian authorities have done over time is to try and introduce kind of mechanisms to try and get poor students going into Universities so you have got two types of private Universities in Brazil, you have got your for profit and you have got you know those that are registered as NGO's. Now over time the Brazilian authorities realised
20 that these for profits do not actually fill all the vacancies they have for students and so what the Brazilian authorities did under the Universities you know for all framework, what they decided was all those unfilled vacancies should be given to poor students in return for tax redemption, you know this is for the for profit institutions because they are supposed
25 to pay tax so they get tax redemptions here and there so a decision was

made for the for profit all those vacancies that are unfilled you fill them with students from poor socio economic backgrounds.

Now for the NGO type or those registered as NGO's not for profit Universities again for them to maintain the registration the Brazilian
5 government said okay at least 20 percent of the vacancies there should go to students from socio economic backgrounds, has this happened, again there are varying views about it, you know they are saying okay they are opening up these opportunities but they are giving them to their relatives as opposed to those who desire luxury to get in. Secondly
10 another view is that the tax they pay in any case is too small for it to serve as an incentive you know so a lot of them prefer to just continue with business as usual because it is like even if you lose you know if you do not get the tax exemption it is in any case too small and so it has not worked very, very well in terms of getting a lot more poor students
15 getting in but again the other thing that they have done is to say okay fine an affirmative action type of thing, all students going to public Universities should at least be African Brazilians or indigenous Brazilians going in, create those opportunities for them to go in.

Again there is a student financial aid scheme that is available to
20 support these students and like in the Chinese case they demand five seats, the capacity for these schemes to provide adequate support so that is the story with Brazil, public higher education it is free, it is elite, about 70 percent of the students who go in from higher socio economic backgrounds, 30 percent of the entire student population in the Brazilian
25 higher education system go to the public system. About 70 percent go to

the private higher education system. Now there could be some important points to consider here in the South African case, in terms of the higher education system you know we are a bit ambiguous if I may say so about our higher education in this country Your Worship, do we
5 want it, do we not want it, shall we allow it to thrive shall we control it a bit and that kind of thing Your Worship.

Now I am not saying we go the Brazilian route and make it some kind of a warehouse for students from socio economic backgrounds you know but the important point here is the Brazilian system has been able
10 to massify the quality challenges of course but it has been able to massify because of the private system that they have allowed to thrive.

COMMISSIONER ALLY: Doctor.

DR. G. OUMA: Yes sir.

COMMISSIONER ALLY: While that maintains in Brazil I am just trying to
15 think what the barrier is, remember the public institution is free whether it is the tuition part or because it varies I am told in Brazil however what stops Joe Soap that is poor from going to the public University because it is free so what are the barriers involved because you were saying it is the lead that go to these public institutions that are free so number 1, I
20 can think it is the admission criteria because the students that come from your public secondary schools are not meeting the grade to enter the public higher institution, can you tell us what the barriers are there?

DR. G. OUMA: Commissioner for the question you already explained
25 that there are two things which you have already mentioned, the one is it is not an open admission system, you have to perform at a certain level

in the matric exams and so what that means is the public Universities only take the cream, the very, very top students, now these very, very top students they majority of them happen to come from privileged socio economic backgrounds. Now the poor are left out, the 70 among, the majority of the 70 percent who cannot make it into the public system and so they end up going into this private higher education, it is a very equitable and fair system if you think about it.

The other thing of course related to that performance is capacity you know, elite systems by their very nature can only take so much you know, the public system in Brazil qualified as an elite system if it only takes 30 percent of the total student population and so we are not seeing expansion in the capacity of the public higher education system, I mean Universities to be able to take in a lot more students than say the private Universities are doing so it is those two things, mainly it is performance in the school leaving examinations where the public institutions take the cream of them and also capacity, the public system is not you know big enough to be able to accommodate the kind of demand that there is.

COMMISSIONER ALLY: Thank you.

JUDGE: Is Brazil *de-facto* a class divided society?

DR. G. OUMA: Absolutely, if you are looking for a class divided society, do not look far, Brazil ja. Some of the literature that it have seen they seem to be doing slightly better than that in terms of you know reducing those inequalities you know so just like South Africa very unequal society, a small section of the Brazilian society that is very rich, very privileged and a big majority that is left out of the mainstream.

JUDGE: Yes.

COMMISSIONER KHUMALO: Doc on the percentages you have given for varsity is the Tvet similar on the remainder of the population, where are they?

5 DR. G. OUMA: Thank you commissioner those percentages, the percentages I have given is just for Universities but Brazil you probably know about it has a very vibrant vocational education system so those are not captured here but it has got a very vibrant vocational education system, Brazil, Germany, the UK, Australia as well very vibrant
10 vocational education systems.

JUDGE: Is the vocational systems state run?

DR. G. OUMA: I think so, I know it is supported quite heavily by employers, I know it is supported very heavily by employers, you know and again I must admit it is not a system that I am fully aware of as In
15 the vocational system but I know there is the training that happens in dedicated vocational institutions but there is the work based you know where you go into a company and you get your training there, ja.

COMMISSIONER KHUMALO: Do you think that that population it lessens the burden of the state for fee free, the existence of that vibrant
20 vocational?

DR. G. OUMA: You are raising a very important question commissioner, let us go back to the UK where there has been a big debate around do we go vocational, do we go academic route you know, Michael Young and others discussing this and there is a prestige element there as well
25 UK if you are doing the academic stream there you know, if you are

doing vocational or you know you seen as a struggler or something like that but the point is, I guess the point I am trying to make is, it is not my understanding that there would be many students who pursue the vocational route who would in any case qualify for University admission
5 you know, in what we have seen in quite a number of systems a lot of students who take the vocational route the majority of them would be those who would ordinarily not make the cut for University admission so what it does is to create more opportunities for different kinds of students as opposed to of course, of course it does lessen demand for higher
10 education if there is a group within these population that qualifies for University education but I see it more from a differentiation point of view where you create different kinds of opportunities for different kinds of students. Thank you very much shall we move to Norway now?

JUDGE: Well before you do that might I just ask you, I know you have
15 not dealt with it yet, do you know what the system is in Argentina?

DR. G. OUMA: I have some knowledge of Argentina Chair, they are allowed to charge fees in terms of the law but they do not so it is a very free, if you go to the University of Buenos Aires with almost 100 000 students with campuses strewn all over Buenos Aires and the adjoining
20 areas so it is technically free but in terms of the books that they are allowed to charge fees. Now the thing with Argentina is, unlike us here you know if you go, have been privileged to visit the University of Buenos Aires and you walk in and you do not get struck immediately that you are in a University campus you know which is a very strange thing
25 because then they performing very well if the rankings are to be believed

so what they do is they focus on the basics, on teaching and learning and research so you will not have your fancy sports fields, you will not have your fancy you know student counselling and related services.

Your accommodation is your business you know so they just
5 focus on the so called core business of teaching and learning and research and so that also lessens the cost so they decide okay you want accommodation do not worry us you know, you want sports do not worry us, you want you know student counselling and this and that go find it outside so they just focus on teaching and learning ja but it is a very
10 interesting system because on the face of it, it is a very under funded system but if you look at the University of Buenos Aires they seem to be doing well in terms of quality, in terms of the research that they are producing there.

JUDGE: But again a class system.

15 DR. G. OUMA: Absolutely, absolutely it is a class system. Chair the next one is Norway which is pretty much straightforward as I mentioned in my introductory remarks you know everyone studies for free, you know again like I said it is because of the nature of the political system you know education is provided for free, the Norwegians pay high taxes,
20 almost 100 percent of Norwegians pay taxes. It is an institutionalised cultural practice you know in a sense. The important point here is living cost, the sets have to pay for this and of course there is state student loan system that supports this and what they do is for students who are living on their own and far away from the University where they are going
25 they get 40 percent discount on the loan that they receive for as long as

they pass all their exams so it is not just a free lunch that for as long as you are 100 kilometres South of Bergen and you are living on your own then you are going to get 40 percent discount on the loan that you get, no, that is just the beginning point you still have to pass.

5 Just like NSFAS here you still have to pass all your modules, all your courses then you qualify for the 40 percent. The other good thing about the loan scheme in Norway is it is portable you know, you can decide to go and study, you can come and study here and still benefit from the loan scheme there, it is not just restricted for instance in the
10 case of NSFAS and for very understandable reasons within the borders of Norway you know you can still get funding to go and study outside of Norway.

COMMISSIONER KHUMALO: But emphasis on public institutions if you study somewhere.

15 DR. G. OUMA: Say that again commissioner please.

COMMISSIONER KHUMALO: I am saying if you are saying, you said portable so if it is portable but it has to be public institutions wherever you are taking it.

DR. G. OUMA: It has to be an accredited institution.

20 COMMISSIONER KHUMALO: Okay so the first sentence tuition is free at public institutions, do you have to qualify that?

DR. G. OUMA: Look no in the sense that that is kind of a factual position, it is fee free in public institutions. Norway has got some private institutions who charge fees which you can pay for by getting a loan you
25 know to pay for that. What this loan covers in the public system is your

living costs not tuition so it is fee free in terms of tuition fees it is free you know but again if you should decide to go and study in jurisdictions that charge fees you have to pay fees then outside of Norway so you know if a Norwegian student chooses to come and study here in South Africa we
5 are going to charge this student fees but then the student can ask for a loan from the Norwegian the state student financial aid scheme and he or she can cut it here and pay for his education.

Chair the next one with your permission is Chile which is quite interesting you know again like South Africa and quite a number of Latin
10 American countries hugely unequal you know, Chile again is another country with a very vibrant private higher education system or private education system, it is even more pronounced at the secondary level. Very unequal society, the public system is terribly under funded and you know I think in somewhere 2013, 2012 if I am not mistaken a huge
15 student demonstrations and these were about both secondary education and University education, you know the government is kind of privatising a lot more and so again like In the Brazilian system a lot of poor Chilean students were funding themselves having to go to private higher education institutions where they were having to pay very high tuition
20 rates.

So the interesting innovation if I may call it so in Chile is that towards the ends of 2015 they passed a law where you know students from poor families or particular group of you know poor students would be exempted from paying fees so what the still did was to determine
25 what that fees would be which is quite interesting. So they determined

that for each student it is going to be X amount you know that will be paid and then for every University that admitted these students the state would pay that amount that was already predetermined. The other thing was, if a University determined that they needed to charge more than
5 what the state were paying then the University had to look for the funds from elsewhere but they would not charge the student.

Of course what that did was since it was almost a voluntary system especially for the private Universities, quite a number it was compulsory for all the public Universities to accept these students. Quite
10 a number of private Universities withdrew from that scheme, they said no, no, no if we cannot charge more than this, this is far below what we need we are not going to participate in that, the system. But another interesting they mention here and we have had these kinds of discussions in South Africa is they decided to increase company tax to
15 27 percent and this was earmarked to support this scheme Your Worship, to pay for these poor students and fortunately what was generated or has been generated from this increased company tax is far below what they need you know to support these poor students.

So what has happened is almost half the students who qualify
20 for this kind of support are not getting it so that is the big challenge with the Chilean system, they have identified a particular group which in our case would be your working class or even the missing middle as well and they decided okay this ones they are not going to pay fees, the state is going to pay fees for them directly but for the private Universities as I
25 mentioned it is voluntary and if our Universities should decide to charge

more than what the state is paying then they have to look for that money from elsewhere and then the 27 percent they have imposed you know on company's as company tax will not generate enough you know to be able to support the totality of poor students who qualified for this kind of support.

COMMISSIONER KHUMALO: Yes Doc if maybe other than the increase in the company tax there were other means of getting some funds into the scheme do you think this would work or is it an impediment as well that the varsities had to top up so to speak?

10 DR. G. OUMA: There are quite a number of elements in your question commissioner, the one is if the funding is sufficient and it is adequate of course it would work you know because the challenge you having here the reason why half the Chilean students who qualify for these kind of support are not getting it is because the funding is not enough and so if
15 the state would put together whether as from the company tax or from other sources then it would work, it is just the kinds of concessions like in South Africa that we give to say you know working class students and missing middle students to support them.

The second bit is you have to means test these students, you
20 have to have a way of determining you know who ware the students who belong to this category and what we know from international experience once you have got that kind of thing then it becomes an incentive for fraud as well you know unless you can get that information independent of the students and their families, if you can go to the tax authorities and
25 pull out that information then you see the loopholes for fraud but once

you open it up that if you belong to this category then in fact you get a lot more than you initially thought qualify for this.

In terms of Universities paying again it depends, now it is a moral thing and an economic thing you know, moral in the sense that
5 okay let us support these students but the University has to have other means, other sources where it can get the money, if truly what the state is paying is far below what the University needs to provide a good quality education, remember the important point here is not just going in, it is a tragedy for a student to go into a mediocre higher education. The
10 important point is the student must go in and come out fully baked, good quality graduate and so if you say we are not going to give you the money and the University does not have the money or extra resources to pump in it is not unlikely that the quality is likely to suffer, we have seen this in quite a number of countries, in Eastern Europe, we have seen it in
15 Africa where the state does not pump in money but still insists that the Universities take in a lot more students, the quality suffers.

COMMISSIONER KHUMALO: But is it, who decides the participation, why is it not mandatory, it looks voluntary to me is that University can decide to participate or not?

20 DR. G. OUMA: Yes it is mandatory for public Universities, it is voluntary for private Universities.

COMMISSIONER KHUMALO: So the discouragement or this lack of participation from other varsities could only be from private?

DR. G. OUMA: Yes it is the private Universities that are saying because
25 look they do not get any subsidy from the state then they get some you

know one or two support things here and there but a lot of this private Universities rely almost entirely on the tuition fees that they collect and so their argument is we are not going to be able to run the enterprise if this is what we are going to charge and I think I have not seen this in the literature that I have looked at about Chile but because the bulk of poor students go to private Universities, it is not unlikely that these private Universities are sitting with huge numbers of students who would qualify for this kind of thing and so the fear is if they were to then cut and comply with that requirement then they are going to be harder down the road.

COMMISSIONER KHUMALO: But does this system, do you find that it is closer to our system more than any other we have gone through?

DR. G. OUMA: Well the elements from the various systems that we have talked about that could be useful for us but this system, the one reason that I picked it was because it speaks to a very recent developments in the country you know, it is the result of the kinds of upheavals we have experienced in this country in the paste two years and I guess the important point here is there is a need for radical measures to try and address the challenge of tuition fees for poor students and in the Chilean system this innovation could be seen as radical in a country where there was runaway privatisation both within the private higher education system and also within the public higher education system.

COMMISSIONER KHUMALO: Okay thanks.

JUDGE: Do you want to move onto California now?

DR. G. OUMA: Absolutely.

JUDGE: Well do you think we could take a half an hour adjournment for lunch?

DR. G. OUMA: I am at your service Chairperson.

JUDGE: We will adjourn for half an hour.

5 **MEETING ADJOURNS**

MEETING RESUMES

DR. G. OUMA: The California system is an example of our progressive tuition fee model, you know sliding scale of a different type where money from particular segmental students is utilised to subsidise you know another segment of students so what happens briefly in California is that
10 the fees is priced at almost double the actual cost of providing you know whatever program it might be and the idea is almost half of the fees paid by those who pay the full rate is then used to subsidise poor students, you know students from lower socio economic backgrounds. As you would see in the slides you know the fees from 2006 to 2012 almost
15 doubled you know from about 7400 dollars to about 14 460 dollars.

But in my interactions with some colleagues at this institutions who studied some of these things, Joe Aubrey Douglas for example, there is a lot of pressure by the California state and may American states on public Universities to kind of lessen the fee burden on students and
20 so what the California system has done is to come up with this innovation where they are saying okay fine this is what we are going to do and there is some kind of an understanding with the state authorities, you know the governor and his team that look we are to go about it in this fashion so that we generate sufficient resources to be able to run the
25 enterprise of the institution but at the same time not discourage poor

students from going into the University of California and so the actual cost as I have mentioned already is almost half what they charge you know 8500 of the 14 460 goes to financial aid for lower income students.

Now of course this had a number of implications, (1) the fees
5 paid by students from lower socio economic backgrounds are stayed almost flat because of course they get subsidised by you know fees that is generated from the fees paid by the other students but at the same time the nett cost from students from you know socio economic backgrounds has gone up, the same as the loan commitments you know.
10 Now in terms of attendance the number of students from poor socio economic backgrounds has not declined and it has almost stayed flat, increased a bit but the number of students from high economic backgrounds has kind of declined slightly so what we are seeing in this system is one where you rob Paul and Peter, one of them, you know you
15 rob the one and help the other one, you have to consider the socio economic makeup of your society, you cannot run this kind of system if you do not have rich enough people to be able to get the money from and support the poor.

Now we know California is probably the tenth richest economy in
20 the world and the University of California system is a very you know high quality one, it is quite attractive and so they have managed to deal with this system in such a manner that there is no pressure going on to the state you know but at the same time equity of access is maintained. Now I should hasten to add that it is a bit different as I mentioned
25 already from say what Indonesia is doing, what Italy is doing, what Italy

and Indonesia are doing is your traditional sliding scale so it is not progressive, they are not taking money from anyone to support the other.

In Italy and Indonesia for example the fees is state controlled you know and individual students depending on their socio economic backgrounds are allocated particular fees that they pay and there is as state financial aid system that supports them so it is more about making it possible for the different students from different socio economic backgrounds to get in. The California system is about okay we want the different kinds of students to come in but we will everything the money from those who come from privileged backgrounds in order to support the poor.

ADV. M. LEKOANE: So would that financial aid cover poor students' full costs of study?

DR. G. OUMA: Absolutely ja. And again the key point here is what they charge is almost double what they actually need you know, of course the flip side of it some people have been asking then why not just charge the 8500 you know, probably even the poor would be able to afford the 8500 instead of charging double that and then taking some of it to support the poor but the idea of maintaining this high level is you know, it is so that all students aim to pay that amount but of course you know from you know trend analysis that probably only 60 percent of your students are going to pay that or only 40 percent of your students are going to pay that and therefore you have to find ways of supporting the other students.

ADV. M. LEKOANE: Your first bullet point on page 21 you indicate that

students from upper income backgrounds, the numbers are declining.

DR. G. OUMA: Yes.

ADV. M. LEKOANE: Now if that is the trend what does that do to the model if your money pot is starting to decline?

5 DR. G. OUMA: Now you are raising a very important point, it means the future sustainability of the moment is in jeopardy because the system is dependent on having a sufficient enough number of students from higher socio economic backgrounds who can pay the full tuition rates so that you can support the rest, so if the decline is quite big then I think the
10 Californians would have to rethink the model you know or look for money from elsewhere, it will not be sustainable. Chair with your permission the last one is the dual track, dual track tuition fee model and I use an example of India to illustrate it. You know India is a very big higher education system, I think the second largest, second to China, it has got
15 two types of Universities, public Universities, in fact three types. It has got state Universities that you know are run by the state or the states and it has got what they call central Universities which are run by the Union government or the central federal government.

And of course the federal Universities if I may call them so are
20 fewer than the state Universities. At the same time they have what they call deemed Universities, these are technically private Universities that receive aid from the state and so they are also subjected to some of the state regulations and requirements around higher education. So the fees varies from state to state but the general trend is that it is very
25 nominal, very nominal, it is almost frozen, it takes long, there is a time

where over 20 years the fees have not increased you know so it is the kind of frozen, the decision to increase fees or otherwise is made by either the state governments, respective state governments or the central government and the thinking behind that is by keeping the fees
5 low then you are going to make the poor come in.

Of course that has happened but what we are seeing again as in the case of Brazil and other countries where there is inequalities we seeing students from higher socio economic backgrounds going into your, you know prestigious public Universities but again as well there are
10 Indian institutes of technology and the Indian institutes of management which are very prestigious. Now what the Indian government has done is to allow public Universities to create another stream of you know students if I may call it so where the students pay you know deregulated fees determined by the individual institutions so it is kind of a parallel to
15 the stream that comes in with the government subsidy and what we seeing here is you know the fee ranges are quite substantial from institution to institution for the same programs you know it is very huge.

The bulk of the students going into these parallel programs are from privileged backgrounds as well. Now the important point that I
20 should make here is that one of the things that the parallel thing does is to increase choice because what happens is in the subsidised stream there is only X number of vacancies for students in program X so you want to study, low the state can only subsidise 200 students for argument sake but if you want to study it on the parallel stream, if you
25 meet the requirements you can still go in so it kind of builds, opens up

capacity but then you pay more and as I said the fees are going higher and higher and higher on the parallel stream but the state subsidised stream it is almost frozen it does not increase over many years.

JUDGE: Does that complete your presentation?

5 DR. G. OUMA: That completes my presentation in terms of the various tuition fee systems. I had wanted to speak about you know possibilities for South Africa in terms of what we see happening in other parts of the world but at some point I was a bit hesitant, I though having listened to all the presentation I felt that has been covered already but the point I
10 would like to make is if you look at the practices across the world there is not a particular system that I would say is easily transferable you know to our context here because this is a country with very particular history, with very particular challenges that it is confronting but just key points (1) the trend that we are seeing all over the world is that we seeing
15 countries that initially provided education for free embracing a cost sharing model whether you are talking about Australia in 1989 or the UK in 1998 or China 1998 as well so there is that move. Now the challenge we are facing here you know in the context ...[intervenes]

ADV. M. LEKOANE: Sorry Doctor and the primary reason for that is it a
20 philosophical one or it is a financial one?

DR. G. OUMA: Practical one in the sense that the reason why we are seeing this shift happening globally is because governments are struggling to provide sufficient resources to maintain the high levels of demand for higher education. At the same time wit the onset of the
25 knowledge economy you need a critical mass of people with you know

high level skills and so there is demand, there is a need for Universities to massify I mean for higher education systems to massify participation rates and I can tell you outside of the Nordic countries which are very small countries I do not know of any country that has massified on a fee free model.

You know if you are talking about enrolments beyond 20 percent, if you work with that I do not know of any country that has massified on a fee free model. Another important point I would like to make looking at say England and looking at Australia and China as well as much as fees has increased demand has also increased, we have not seen sufficient evidence that seems to suggest that enrolments have declined as South Africa result of the fees going up, in fact what the introduction of fees has done is to broaden the capacity of these higher education systems to be able to provide more spaces for more students.

ADV. M. LEKOANE: But what kind of students are attracted, from lower income families or higher because I thought you said it was from higher?

DR. G. OUMA: Thank you very much, it does not apply you know homogenously across all the countries, in places like India where they have got this parallel stream because of the fees they charge, naturally a lot of the students will go there, about 60 percent of the students will take advantage of that from higher socio economic backgrounds. In countries like Kenya for example and Uganda it is because of the cultural premium that is put on education where we seeing families, poor families having to borrow you know because previously in East Africa prior to 1998 it was a very small group of students who could go in but once the

opportunities were opened up in fact we are seeing a lot of poor students going in, we have not seen impericle data but some have argued that probably the bulk of the students were going in through the parallel route from lower socio economic backgrounds.

5 COMMISSIONER KHUMALO: Yes the enabling legislation or an instrument that has made this debate come to life and the obligations for a fee free flow directly from the constitution and other things so we are expected in terms of the constitution to provide education as in, on the models in different countries was that, why fee free in the fist place?

10 DR. G. OUMA: Thank you very much commissioner, the drivers for fee free again are not homogeneous but I will attempt to kind of explain a couple of key words. Number 1 it is a legacy one, you know a lot of this country is talking about African countries who are inherited this legacy from their colonial experience you know like I mentioned in my
15 presentation earlier we have got the UK you know so you look at all the so called Anglophone countries you know when they started their, when they started having their own Universities 1948 University of Uganda and in Nigeria or you know Accra Lagos and in Ghana and then you know 1949 Makerere in Uganda that was the system ...[intervenes]

20 COMMISSIONER KHUMALO: Maybe just to bring it home, I know my question was not, it was all cracking, was there a constitutional obligations on those countries to bring, as we do here, as we are sitting here would you say?

DR. G. OUMA: In Germany you know it was in the constitution but I think
25 a couple of years back the Constitutional Court said no the Landers

should have a free hand to determine what fees the students should charge. In France it is in the constitution but they are struggling because the economics are such that they need some money to come from elsewhere. In countries like Norway as well it is inscribed in the constitution that higher education shall be free but in countries like you know Kenya for example, Uganda, Tanzania it was not inscribed in the constitution you know and the changes in fact in a lot of the African countries including Nigeria was with the onset of the structural adjustment programs in the 1980's early 1990's so introducing fees was part of that package of structural adjustment programs so it varies from country to country commissioner.

Okay then maybe just one last point is the idea of financial aid. In all these systems that have moved from fee free to some kind of cost sharing one of the important elements that accompany that shift was a student financial aid scheme and quite a number of countries have done quite a number of things to try and make it easier you know for especially poor students, you know in some countries they reduced the interest rate for example, you know I think India is a good example, Brazil as well where they reduced the interest rate for students from poor socio economic backgrounds. In some countries they prefer to give them more bursaries as opposed to loans because loans are seen as discouraging them from wanting to go to Universities.

Some countries have tried to control fees and we have seen that happening in various forms and I am aware that the CHE will be making a presentation on the same but some of the examples that I have given

Indonesia, Japan 10 percent above what the state prescribes, China we already talked about 25 percent, the various provinces and territories of Canada, you know different kinds of control mechanisms, the various states in the US you know for the past about 5 years New York, the state
5 of New York got into an agreement with the sun-system that fees for the next five years will not be increased by more than 500 dollars and so we are seeing those kinds of things happening across the, I mean the various countries.

We have seen systems, countries where in some American
10 states where they have got a locked in average system where they say once you come in you know for the duration of your studies fees will increase at this rate but what that means is you front load so that some of the fees that you would probably pay in your fourth year you pay in your first year. Now in our kind of context that will be problematic given
15 the huge inefficiencies in the system, it means a student who drops out in first year or second year would have paid a portion of his third, fourth year fees so there are quite a number of options that you know the commission might want to consider and determine which ones would speak to the South African context.

20 ADV. M. LEKOANE: We have no further questions Chair.

JUDGE: Yes Dr Ouma I think we may at some stage recall you if we do find that we do have further questions if you would not mind coming back, if so we will appraise you of what the questions are that we want answered. Thank you very much for your input, thank you.

25 DR. G. OUMA: Thank you very much and all the best.

JUDGE: Yes we need it.

NO FURTHER QUESTIONS

ADV. T. MABUDA: Judge the next witness is Mr Lesiba Mothata, just give him a chance to take a seat.

5 JUDGE: Yes of course. What are your full names please.

MR. L. MOTHATA: Lesiba Mothata.

JUDGE: do you have any objection to taking the oath?

MR. L. MOTHATA: No.

JUDGE: Do you swear that the evidence that you will give will be the
10 truth the whole truth and nothing but the truth, if you do say so help me
God.

MR. L. MOTHATA: So help me God.

MR. L. MOTHATA: [d.s.s.]

JUDGE: Yes.

15 ADV. T. MABUDA: Thank you Chair. Chair Mr Mothata has been asked
by the commission to address set 6 of the commission, he is going to be
dealing with alternative sources of funding and what is viable. I asked
Mr Mothata to give brief background of his academic qualifications and
his work experience.

20 MR. L. MOTHATA: Alright so I studied economics at Wits up to honours
level and I have had a masters degree from UJ. I have worked at
Nedbank initially in my career, it is about 14 years now but of that 14 I
was three years at Nedbank, I spent the bulk of my career at Investec
Bank and also two years at the South African Reserve Bank and now I

work for Investment Solutions which is an asset management company based in Johannesburg.

JUDGE: Are you a professional economist?

MR. L. MOTHATA: I am an economist and what I will be presenting here
5 will be coming largely from my area of expertise which is macro economics without having looked at the details of the micro as I understand has been done here in other dimensions, my contribution will be that of economics.

JUDGE: Yes thank you.

10 ADV. T. MABUDA: Right thank you Chair. As I am sure you are aware Chair Mr Mothata has prepared a presentation, we will ask him to proceed with his presentation and we will ask him questions of clarity. Alright proceed Mr Mothata.

MR. L. MOTHATA: Well thank you for the opportunity. The mandate was
15 to look at funding models in these listed countries, Brazil, India, basically bricks countries including Australia and Norway and as an economist obviously I have chose an approach that looks at the macro economics from the perspective of how the budgets are constructed in those countries, what proportion has been spent on higher education and also
20 how SA could actually fare, I do think that there is an interesting dimension of just thinking about the impacts on South Africa, I though I wanted to share that with the commission. So what is happening in other countries we decided on, my team and I we decided to look at a useful approach we saw from the OECD and they classify a few models,
25 four of them, the first model and here they just use the tuition fee that

has been paid as a proxy.

So 1500 US Dollars is like the benchmark or the number that one is looking at, if fees are below that they are classified as low and also there will be support for student from a financial aid perspective so
5 the first model will be low public institution tuition fees, in other words there are less than 1500 US Dollars an annum and also there is a substantial amount of financial aid that comes, local student fees are funded mainly by the public sector and that is why I have decided to just look at budgets and how it all gets constructed.

10 JUDGE: Let me not misunderstand you, the low student fees and the student support systems are not exclusive but complimentary.

MR. L. MOTHATA: Complimentary.

JUDGE: Yes thank you.

MR. L. MOTHATA: Those two together.

15 JUDGE: Yes.

MR. L. MOTHATA: So local students fees are funded mainly from the public sector and those countries will be Norway, Sweden and Denmark as an example. In model 2 ...[intervenes]

20 ADV. T. MABUDA: Sorry Mr Mothata before you proceed, the classification of less than 1500 or the low public institution student fees does this include free, countries where they do not charge fees.

JUDGE:

MR. L. MOTHATA: Ja Norway will be one of them

ADV. T. MABUDA: Right so by low fees it does not necessarily mean

that they must be charging fees it could also mean that there are no fees being charged.

MR. L. MOTHATA: Indeed, so just for classification purposes you use 1.5 as a benchmark so that when you look at the other models we using
5 that as a handle to separate whether it is high or low it could go all the way down to zero with no fees in some cases Norway which will be seen elsewhere in the trials as one continues. Model 2 ...[intervenes]

JUDGE: No sorry before you go away from model 1, well developed student financial support systems, what are the elements of that support,
10 what sort of, what is the scope of that support?

MR. L. MOTHATA: So this work is constrained mainly just for tuition fees and it will include student aid that could be sourced from contributions from the private sector or a fund that has been constructed mainly by donors who are willing to contribute to students tuition so the scope is
15 constrained largely on just tuition so it will exclude resident fees, it will exclude any other paraphernalia fees that comes with education. In model 2 here is countries with, in other words here we still using 1.5 as a benchmark, if it is more than that annual fees it is high public tuition fees and well developed student financial support as we have seen in the
20 model 1 but local fees are funded by the public sector, there is a direct contribution from the private sector and the student also get to pay very directly.

Country examples include the UK, the US, as we have heard other, the little bit that I have heard in the last testimony has gone in
25 detail about I think countries that are largely number 2. The third model,

how public institutions, public institutions, student fees and less developed financial aid so this is where it is very difficult for student to source support because there potentially is no, you will see there is little private contribution, private sector contribution so the local students are
5 funded by the public sector largely and their families excluding a contribution from the private sector. Countries like Japan and Chile and one will argue largely South Africa could be sitting in this dimension.

The fourth type of model is low public institutions student fees with less developed financial support and here local student fees are
10 mainly from the public sector. I think fees must fall are trying to get to a situation where South Africa becomes model 4, those countries are Austria, Columbia and Belgium in terms of how they are constructed.

ADV. T. MABUDA: Is there a particular reason why living expenses are not considered in these models?

15 MR. L. MOTHATA: You see living expenses are variable expenses and for the purpose of CS economist, when we tried to do analysis and when we do comparative analysis which is what will happen later on when you isolate tuition fees is consistent across the board and I could do a comparative analysis because this is constructed from an economics
20 perspective that is largely why it will be excluded here but for countries there could be some consideration that they will have for living expenses in regards to was just for this specific classification that does comparative analysis that we isolated only tuition.

COMMISSIONER KHUMALO: Sorry just before you proceed, so does
25 this mean tuition fees and student fees use them, they are interrelated?

MR. L. MOTHATA: Student fees and tuition fees ja they are synonymous to each other for this purpose of ...[intervenes]

COMMISSIONER KHUMALO: So when you say student fees you do not include lodging, books nothing, it is just tuition.

5 MR. L. MOTHATA: Just tuition ja. So from this work Brazil is largely between 2 and 3 in terms of models in other words there is a high student fee structure it is more than 1500 per annum and there is less developed support for financial aid and also the public sector carries the biggest load. In China from this perspective I struggled to find sufficient
10 data to come to a conclusive analysis so but Australia is certainly number 2, number 2 being that it is a high fee situation about there is a private sector contribution in the fee structure, there is also a large public sector and the student has to pay as well.

Norway is certainly number 1 no fees as one has seen in later
15 parts, I though South Korea provides an interesting emerging market perspective because we could source some data from it so it looks comparably like South Africa largely between 2 and 3 high student fees but less developed financial aid support and there is some element of private sector contributions out of South Korea.

20 ADV. T. MABUDA: Sorry just before you proceed, what would you say are the similarities between South Korea and South Africa?

MR. L. MOTHATA: From an economics perspective South Korea is GDP size, it is very large so we are talking about more than a trillion in size but they are all classified as emerging market countries and their
25 economic structure very much similar and also if you look at the current

account deficit constructs, if you look at its financial markets constructs, even the currency movements it is very similar to South Africa. Although its rating is higher in terms of credit quality and the size of the economy is larger but when we looked at the education aspects and how it has
5 been constructed thereto there were some similarities.

ADV. T. MABUDA: So this analysis is mostly based on numbers it does not take into consideration social context and socio economic situations in each country?

MR. L. MOTHATA: Ja it really is, so I have stayed in the macro
10 economics looking just at the numbers and the story that I am building here is just to get to a point to see how is the National Treasury of each one of these dealing with it, there is a theme that has emerged as one continues in the presentation and the theme has been those who have high tax collection regimes have been able to fund model 1.

15 ADV. T. MABUDA: I will let you build into that.

MR. L. MOTHATA: Okay so I am building the story from that perspective.

ADV. T. MABUDA: Okay thank you.

MR. L. MOTHATA: And here yes it is a dated valuation in the following
20 slide around, so I should actually be clicking here, it is this slide and it is the best we could find to do a comparative analysis again from the OECD and what is of interest there is the average tuition fees that have been paid for each one of these countries and we could see that countries like Norway it is zero fees that way were paid in tuition and the
25 average there is about 3000, this was just for information purposes. Also

Korea because we had data there I found it interesting you could see that there is about 5000 US Dollars annual tuition fees in real terms.

What this charge shows is not the nominal value in the currency at a point in time it is just for inflation so we talk about a purchase
5 empower parity value which is adjusted for the currency and the related inflation to get a comparable value across the board so once you put countries in one line there is a few adjustments that needs to happen (1) you need to look at the same thing and here we are looking at tuition and (2) you have got to look at he same measure and here we are looking at
10 it relative to inflation.

ADV. T. MABUDA: Do we have a comparable number for South Africa?

MR. L. MOTHATA: Comparable number it is, it comes later and there it will be very in nominals, in nominal terms, there is some arithmetic that happens and I kind of slot in there a South African number because the
15 purchasing power parity number is coming from the earlier years and it was not quite comparable in that fashion but you will see later what the SA number is in nominal terms. In the next slide and this is the nub of where I was going, this is the direction of what I wanted to contribute to and that is to say, countries spend a huge amount of money in education
20 but it is not all equal. Hungary is only spending let us call it less than 11 percent on education, in other words its total expenditure is the denominator and on the numerator is the actual spent in dollars or in local currency to get to that ratio.

In Hungary sitting at the low end and you could see the OECD
25 average is sitting around 13 percent of total expenditure and there is

some countries that are sitting well above that which will include Chile, Brazil, New Zealand and this chart was telling in that when we do the numbers for South Africa which came out two days ago, total expenditure on education, I have included both tertiary which is what this includes, tertiary and basic education, South Africa spends about 23 percent which is off the charts from this perspective relative to all these countries and ours, in other words this huge spend from the government in education relative to OECD countries for South Africa.

But the other theme that emerges here is that countries that have freer tuition fee structure like Norway they pay above the average of OECD which makes sense. The expenditure would be a lot more for countries that have a more favourable or a lesser onerous fee structure for students but countries like Brazil even if they still have a higher regime in terms of tuition fees that are paid they equally spending a huge amount of money into education.

JUDGE: But why should we be so much higher than anybody else?

MR. L. MOTHATA: Why is SA so higher, it is a priority I suppose, it is informed from the constitutional commitment that has been made, that is promised of a new democracy, democratic South Africa and it has been a focus for the government since 1994.

JUDGE: Are we getting bank for our buck?

MR. L. MOTHATA: The answer is it remains questionable. There is a huge amount of money spent just if you just look at the evolution of even the systems of teachings there have been a few iterations in South Africa and I think that also ...[intervenes]

JUDGE: A few sorry?

MR. L. MOTHATA: Iterations of curricula for example, that comes with a cost when you rehor and you have to teach people to teach others comes at a cost and there has been a few iterations of that and I think it
5 explains some of the expenditure that is now structurally sitting within the base of South Africa's budget.

JUDGE: Well how many of these countries are actually comparable with South Africa on an economic basis, on a social basis?

MR. L. MOTHATA: Okay so we can do that, we can list them. Mexico is
10 very comparable to us, they are still largely a commodity based economy, energy, they are more diversified than other energy producing countries but they are comparable to some degree, they have similar issues for example the fiscal deficits also increased quite substantially of late and they are struggling to keep the books balanced as we are
15 having now. Brazil clearly is part of bricks and we will similarly look at us but they look a lot more like us. Chile and South Korea that strip it is heads and shoulders above us, they are commodity based copper but they are rated much higher, they have a much more sound fiscal stance quite different to us, we are less comparable to them.

20 South Korea as we discussed I think it is quite similar to us. Israel it is an emerging market country but quite different and unique in its constructs and if I am just glancing my eyes further from that, Hungary. Hungary is a European country very small, in fact GDP it is about 150 US Dollars in size, much smaller than SA, it is an emerging
25 market country but I think we are less comparable to them, so I will pick

brick countries here and I will include a Korean outcome.

JUDGE: Sorry I did not hear that.

MR. L. MOTHATA: I will pick bricks countries, Brazil, China you know and Russia, Russia is not here it is just not part of the OECD but I will
5 choose, in other words Mexico, Brazil, to some degree Chile and Korea will be most comparable to South Africa.

JUDGE: I am quite surprised you said Korea I thought Korea had a much bigger manufacturing economy than ours.

MR. L. MOTHATA: It is but when you look classifications of the World
10 Bank, you also look at what gets classified at the IMF we are all still around emerging markets. The unique thing about South Africa is that it has a very deep and advanced financial system that lifts it to be comparable with the likes of Korea even if it is that small. In other words if you were to, if you were to do advanced emerging market countries
15 and you were just looking at the size of the economy you will miss South Africa which is in fact punching much higher than all of these in the construct just because we have got such a deep liquid financial markets that speaks head and shoulders in the world.

JUDGE: I see thank you.

20 MR. L. MOTHATA: Okay so in the next slide which really is the nub of where I was going to this, what is happening there we are measuring collections of tax relative to GDP and countries with a higher pot when they collect revenue they fall in models 1 and 4 and as you can recall in that definition one was below 1500 with much public expenditure on it, in
25 fact I could revise the definition here just for our own clarity, so it is low

public tuition student fees, less than 1500 per annum, it is a well developed support system for students in terms of financial aid and also it is also largely held by the public sector, it is largely, the purse, the commitments, the financial burden is held largely by the public sector, 5 they can do that because they have got tax revenue.

Tax revenue is an important one and its source not only from company's, not only from individuals it is also coming from VAT and other sources, when effectively an economy has a pool of revenue that comes into it, it can support education much more closely and that is the theme 10 that we begin to see here. In model 4 it was low public tuition fees similar to model 1, also but the only difference is it does not have financial aid that is developed so the public carries a lot more burden without an involvement from the private sector and countries in the charge you will see you know they have high collections of taxes which 15 will include in colour scheme the Norway's, you can see the black line in the middle.

JUDGE: Where is South Africa in all this?

MR. L. MOTHATA: So SA is not here for reasons of data collection, I do talk about where SA is elsewhere and I could actually just quote what the 20 number is, SA's collections on tax from the budget that was put out on Wednesday is 26 percent of GDP.

JUDGE: Somewhat similar to the United States?

MR. L. MOTHATA: Somewhat similar to the United States at the lower end of collections and that is why it could prove very difficult and 25 onerous for a fees must fall cry to be honoured by the state and that

number has been consistent around 26 percent for South Africa because the structure of the economy has not changed much and economic reforms have not been forthcoming to make sure for example that the corporate tax contribution is larger than personal income tax, what we
5 find is still ...[intervenes]

JUDGE: Sorry can I just try and understand something here as to why South Africa and the United State would be much the same, is this the percentage that is actually collected of the potential that could be collected or is it ...[intervenes]

10 MR. L. MOTATA: This is what actually is collected right, it is a ratio, on the top is in dollars which is actually collected and in the denominator is the size of the economy so US GDP is 16 trillion in size and what they collect it will be obviously the opposite of that ratio in the numerator, so we do the same in South Africa, the size of GDP in South Africa is 310
15 billion US Dollars and the collections on top will result with about 26 percent of GDP.

JUDGE: It seems to me that it is pretty obvious that South Africa must be very low when it has so many unemployed people but the United States does not have so many unemployed people, it has a 5 to 6
20 percent ratio.

MR. L. MOTATA: No it does not so tax collection it is a topical issue as we can appreciate the corporates out of the US have been able to shift potential tax payments into tax havens, a point that President Donald Trump has put it, the centre of his campaign, including to repatriate some
25 of the earnings that are held elsewhere so they can be taxed within the

US, so there is a few nuances and technicalities of why the US tax collection is that low and it has become a political outcome that catapults Trump to the top.

JUDGE: Yes I understand so the factors which affect one country
5 certainly will not necessarily affect another.

MR. L. MOTHATA: Can you repeat that comment again.

JUDGE: Well I mean the factors that affect the United States may not be the factors that affect South Africa.

MR. L. MOTHATA: Most definitely, the tax structures are very different,
10 the economic constructs are very different and the SARS is really not quite comparable from that perspective or what we are trying to do here is just to say, and that is why we use ratios, ratios take away the misinformation that can come from size etcetera so when I am just looking at ratio it is comparable and one can look at countries in that
15 fashion and when we look at it as is on the low side and countries that are below that black line which is the average, struggle to fund education more directly like we find those that are collecting a lot more on the top.

ADV. T. MABUDA: Mr Mothata what would be the implications of just simply increasing taxation in South Africa?

20 MR. L. MOTHATA: Which is what has happened on Wednesday and it has a negative consequence on GDP growth. Simply speaking when personal income tax go up from the pot of earnings that one is getting they pay a greater proportion into tax and in our language disposable incomes decline and when disposable income is lower people buy fewer
25 cars, they buy fewer homes, they spend fewer at the shops and all that

has an effect in terms of what economic growth will be going forward and for that reason taxes erode economic activity.

ADV. T. MABUDA: So what would then be, how are the other countries able to get away with it, the ones with the high taxation were they able to
5 maintain a high GDP growth on economic activity?

MR. L. MOTHATA: So the examples that we find in those countries is that there is efficacy of this tax collections, you know the bang for that buck because of the constructs of the country so there are more efficient public service, if a huge amount of money is taxed and it arrives into the
10 coffers of the fiscas and it was earmarked for health there is no need to pay private healthcare as a result because public healthcare is meeting the needs of what has been paid, similarly even on education, I will talk about basic education for example here, the quality of basic education is of superior quality and if you taxed and the government has taken care
15 of that commitment the result that comes out from your child's fee is going to a public school is of similar quality to the one who has been taken to a private school so the efficacy of tax spending is greater in those countries and that is why they can then sustain a higher levels of growth even if they have a high tax regime.

20 JUDGE: But surely there must be one factor which above all makes the difference and that is the unemployment rate.

MR. L. MOTHATA: Indeed.

JUDGE: First if one looks at the countries that we would be comparing ourselves with Australia, Austria, Belgium, Denmark, New Zealand,
25 Norway, Sweden, the UK and the US we are not remotely in touch as far

as employment is concerned.

MR. L. MOTHATA: Completely agreed.

JUDGE: And therefore the tax recovery rate as a percentage of GDP must necessarily be grossly lower is that not so?

5 MR. L. MOTHATA: Agreed ja, employment is central because the base of the people that you taxing is higher you can collect a lot more.

JUDGE: So the way to push the percentage of GDP up is to find more employment for people.

MR. L. MOTHATA: Hundred percent.

10 JUDGE: Ja.

MR. L. MOTHATA: The challenge for our country and the few other discussion held elsewhere about that point.

JUDGE: Sure.

MR. L. MOTHATA: Right now a little bit more on SA because the
15 contribution here from macro economics is this, countries with high tax collection regimes are able to fund a less expensive, a less onerous, a less burdensome commitment from the pupils or from the students so the purse is paid for by the public service.

JUDGE: Well are you not telling us that it follows as a matter of course
20 that South Africa's situation being what it is we would be stupid to suggest a fee free education, higher education system because it is just out of keeping with the nature of our economy.

MR. L. MOTHATA: That is precisely where I am going with and I have done it with numbers in a later slide to just show exactly quantifying how

things could look if we were to go there.

JUDGE: Yes.

MR. L. MOTHATA: Ja in the next few slides. Just in SA just in numeric numbers this is just data that was collected for this year actually, you
5 could say that we are on the higher size just if we use that nominal number of 1500 US Dollars for fees just a sample of four you can see we are well above that and it pushes us into a model 3 construct for South Africa. Pretoria University is about R48 000 which is almost 3000 US Dollars in annual fees. This was just to complete the picture of the 1500
10 and to confirm that SA is sitting largely number 3 as I see, as I show in this next slide, higher public tuition fees, less developed student support, it is much less developed in SA. Access is a problem, student are finding it very difficult to receive support elsewhere. Local student fees are funded by the public sector yes and largely students and in this
15 construct it looks from the OECD's perspective we look largely like Chile or even Japan.

ADV. T. MABUDA: Mr Mothata the well developed student support systems this is regardless of whether it is a loan or grant or a bursary as long as students are supported is that right?

20 MR. L. MOTHATA: Yes from the definition is, if you could get some support it would be classified as either developed or less developed, in the granularity of what it is one will need to actually sit and look at the details of it, is it a loan, is it a grant, how is it constructed, one needs that detail, I do not have it here now.

25 ADV. T. MABUDA: Thank you, you can proceed.

MR. L. MOTHATA: Okay, now so just a little bit now on SA, the problem we have, I presume this would have been discussed elsewhere but I am building some story I thought it was necessary just to look at this, is that in the last, well basically since 2008 remember 2008 we had a financial
5 crisis globally, the commitments for governments globally rose and SA had a debt to GDP ratio at 27 percent and it has since increased. Despite all that what we have seen is that tuition fees have been going up more than inflation, on average it is about 9 percent so it is 3 percentage point above inflation and that really is the premise of how I
10 got to do this work here which if Lala may engage me a little bit, it is a bit of numbers but there is a story that I have put together here.

JUDGE: I am sorry is this correct here that higher education fees did not increase in 2016?

MR. L. MOTHATA: Correct.

15 JUDGE: Was it not simply that the increase in fees was not passed onto the student?

MR. L. MOTHATA: Ja the cost, this is what would have been passed to the student if we are looking at 2015 that 9.8 is what the student got to pay.

20 JUDGE: Yes but in 2016 there were increases and simply that they were not, the students were not asked to pay them.

MR. L. MOTHATA: Correct that is the analysis yes.

JUDGE: So this is wrong in one sense.

MR. L. MOTHATA: In what way?

JUDGE: Well higher education fees did increase in 2016.

MR. L. MOTHATA: Oh I see, I appreciate that, it is in a language ja, this is directly from Stats SA and all they were saying is no but, let us actually clarify that, even in inflation numbers there is a component of education
5 for higher education, the growth rate, remember CPI measures the payment that was done by a consumer so it is at the end product not so much at the producer product so for that reason it is correct technically because we are measuring here the student but the cost of education remained the same and it had to be borne elsewhere.

10 JUDGE: Yes now I see where you are going.

MR. L. MOTHATA: Ja it had to be borne elsewhere.

COMMISSIONER ALLY: Now before you go on Mr Mothata you aware of HEPI, higher education price index and I will tell you why I want you to consider that if you have not. Universities maintain that you cannot
15 expect them to go along with the CPI because the cost of maintaining and purchasing the equipment that they have is much higher than CPI and therefore when you evaluate their increasing of fees that is where you need to look at instead of the CPI, have you considered that in your construct as you go along?

20 MR. L. MOTHATA: Definitely have, it is the reason why you will see in this table that one has put together, I am compounding fee increases by CPI plus 3 percentage points which is consistent with the average that has been seen from 2008.

COMMISSIONER ALLY: Okay thanks.

25 MR. L. MOTHATA: So in this analysis if you will indulge me I will explain

every single line. On the top I am looking at the medium term as it will be put out in the budget so the fiscal year 16/17, the fiscal year 17/18 and so on and so forth. The first thing, the first line post school education and training is the actual amount of money that has been set aside in the budget for education, for tertiary education by the National Treasury and you can see that it is expected to grow by 2020 to about 90 billion rands. The line that follows, number 2, it is total expenditure from the fiscas, in other words all expenditure in terms of defence, basic education, healthcare, all that together which is now it is almost going to go to more than 1.5 trillion over the next medium term, that is that number that we are looking at.

And what I do in number 3 is take the ratio of that which is 1 divided by 2 it gives you a ratio, it means from the total expenditure by the government only 5.5 on average is spent on tertiary education so that is where we are starting the analysis.

JUDGE: So then if actions speak louder than words then the priority for education remains much the same from now until 2019, 2010.

MR. L. MOTHATA: Agree.

JUDGE: And it is, what was it in 2015/20156 do you know?

MR. L. MOTHATA: It was much less than that, we were talking about number less than 4 percent.

JUDGE: I see so there has been some increase if one measures priority against numbers, there has been some increase but it is slated to remain much the same.

MR. L. MOTHATA: Much the same ja. But the analysis, so that is where

we are and that is where we are and that is who at we are doing, what I am doing now in number 4, cash receipts from operating activities, this is data that was produced by Statistics SA on higher education and they came up to a number that shows what cash receipts have been for
5 Universities on average.

JUDGE: What does that mean, cash receipts, what are operating activities?

MR. L. MOTHATA: The ongoing of a University so wages to lecturers, the equipment for the lecture halls, the maintenance of security.

10 JUDGE: So this is their total income.

MR. L. MOTHATA: Income, so it is a proxy of income that I have used there.

JUDGE: And this is in billions as well?

MR. L. MOTHATA: Ja so that number for 2016/2017 which is 99 billion,
15 call it 100, is the base number that one is looking at right. So what I have done now on that number and you will see where it is going, is because fees have been growing by CPI plus 3 I compiled that number in the medium term by a similar outcome because as we have now discussed that yes the student may not have seen an increase in fees
20 last year but the costs have gone up to the University so for University to be a going concern it needs to continue to receive a similar amount of money and that is how I have based this analysis to just make sure that it is maintaining the similar quality of education, taking care of the staff etcetera in a similar way, that is step number B.

25 So if I were notice of enrolment to say if the state were now to

assume that responsibility it will be what they have already planned, combated in (a) in the second column, and you will add that revenue from that tuition fees that were received by the Universities. When you do all the arithmetic, that 5 percent that we were talking about that is
5 largely unchanged and it will remain unchanged in the next few years will actually more than double to 13 percent.

COMMISSIONER ALLY: Let us just interrogate these numbers, these cash receipts from operating activities would this include the subsidies that have provided to the University.

10 MR. L. MOTHATA: Ja.

COMMISSIONER ALLY: Now hold on a bit, you see the post school education and training budget of 68 billion includes the subsidies that have provided to Universities.

MR. L. MOTHATA: Okay.

15 COMMISSIONER ALLY: So what I am having a problem with is the A plus B because from the B of the 99 which we have agreed for now, if we interrogate it maybe not but agreed for now it includes the subsidy received from the 68 then it cannot be 99.

MR. L. MOTHATA: So you will see in the note, cash receipts from
20 operating activities represents tuition fees and by Universities excluding grants from government ...[intervenes]

COMMISSIONER ALLY: I am with you.

MR. L. MOTHATA: They have been excluded, Stats SA does good statistics and they could show you what line item was.

COMMISSIONER ALLY: No I am with you now.

MR. L. MOTHATA: Okay so we are not double counting it, it is hypothetical, this is a scenario but what I am saying here is if we were to get a zero tuition regime the cost to the fiscas will more than double, in fact by a factor of 2.4 times that was the purpose of this analysis and if you look in the next slide ...[intervenes]

COMMISSIONER KHUMALO: Sorry the zero you are referring to would be if there are no fees, if it is a zero you saying no fee, that is what would happen there would be unintended consequences?

MR. L. MOTHATA: Huge unintended financial commitment from the fiscas.

COMMISSIONER KHUMALO: If it is a certain portion like if we describe poor and we give a certain percentage to it would you have a similar consequences in terms of rands and cents?

MR. L. MOTHATA: So what will happen is (b) will change and we will have to do a factor that takes away the commitment, you know there will be a factor that is directly payable by students.

COMMISSIONER KHUMALO: Let us just say, have we done an exercise where that figure is for the poor, strictly?

MR. L. MOTHATA: No so I appreciate, I have not done that, I painted a worse case scenario and I went all the way through but we can calibrate it at any layer that we want just to get a picture of how public commitment will look like.

COMMISSIONER ALLY: Well you see presently as commissioner

Khumalo is trying to show is that presently you are paying for the poor and in that scenario you are saying your calibration might be different.

MR. L. MOTHATA: This will be worst case scenario 13.4.

COMMISSIONER ALLY: Correct.

- 5 MR. L. MOTHATA: The calibration when we do that in other words there will still be some students that are paying student fees, the number will be less than 13.4 so we will be talking about 10 maybe or 11.

COMMISSIONER ALLY: Okay thank you.

- JUDGE: Well now can I just ask you, supposing you now impose this,
10 the details from this diagram on the OECD countries expenditure on education where you have said South Africa spends 23 percent to total expenditure.

MR. L. MOTHATA: Right.

JUDGE: What would that figure change to?

- 15 MR. L. MOTHATA: Ja so there that figure included basic education, in fact to answer that question we can do it here it is in the next slide which is proportion of expenditure by function right. So in the next slide you can see basic education is at 17.5 so if I add 17.5, gee I will need a calculator to get to the precise number, so it is 17.5 plus 14 percent.

- 20 JUDGE: So South Africa would be spending in excess of 31 percent.

MR. L. MOTHATA: Correct.

JUDGE: Of its total expenditure on education.

MR. L. MOTHATA: Further off the charts, further away from OECD countries.

JUDGE: Would it affect the graph or diagram relating to tax revenue of GDP?

MR. L. MOTHATA: It will not at all because it becomes expenditure in other words you will still be in a country with low tax collections but with
5 high commitments.

JUDGE: Yes.

ADV. T. MABUDA: So Mr Mothata the amount that is contributed by government in terms of NSFAS, in which number is it included, is it in (a) or is it in (b)?

10 MR. L. MOTHATA: The amount committed by NSFAS.

ADV. T. MABUDA: Ja as in governments contribution to NSFAS.

MR. L. MOTHATA: It is in (a).

ADV. T. MABUDA: So this is the 99 billion in (b) is just students that pay fees from their own pockets.

15 MR. L. MOTHATA: Ja.

ADV. T. MABUDA: Okay.

MR. L. MOTHATA: So the analysis was to say for a University how much are they seeing in and we ring fenced it only to that what was coming out from families that were paying directly there and we compounded that by
20 a factor of CPI 6 percent round about plus 3 so which is 9 percent over the medium term to create a scenario.

ADV. T. MABUDA: Alright thank you.

MR. L. MOTHATA: So the bottom line in this chart is that zero fees will result with the commitment from the fiscas which will increase 2.4 times.

JUDGE: It sounds as though one is sending a flyweight into the ring to fight against a heavyweight imagining that the flyweight was just as strong as the heavyweight.

MR. L. MOTHATA: Well there we go.

5 JUDGE: But it does seem as though we would be overrating ourselves.

MR. L. MOTHATA: I think so.

ADV. T. MABUDA: Can I just ask you another question and then where does third stream income factor into these numbers, third stream income.

10 MR. L. MOTHATA: Third stream income.

ADV. T. MABUDA: Ja this is from donations etcetera.

MR. L. MOTHATA: So it would exclude that, this is purely because in the line items from Stats SA they will say this was grants, these were student fees and these were donations, I took a line of what is purely student
15 fees ja, I do look at donations later in the charts but this scenario was kept very puristic in that I only wanted to see where the student is committing payment and how that has been growing, excluding any grants, excluding any external support from donations.

COMMISSIONER ALLY: When you say grants, your definition of grants
20 within this particular table means what?

MR. L. MOTHATA: From the government, there is grants from NSFAS.

COMMISSIONER ALLY: There is two different things here, there is grants in respect of infrastructure, teaching and so forth those are grants, now NSFAS you pay for student fees, tuition fees as well as other

fees so I am coming back to when the line item says student fees or tuition fees accrued or earned by the University, you were saying that Stats SA had also made the distinction about the tuition fees that NSFAS students were paying also so they were not included, they were rather
5 included as grants and therefore left out.

MR. L. MOTHATA: No.

COMMISSIONER ALLY: You see where I want to get to?

MR. L. MOTHATA: No I am not seeing it here, I understand, I had relied on the work that was done from Stats SA and there is granularity, in fact I
10 was in direct conversation with the people that put it together, if there is any value in this work we could always refine it to the T with input from the ones who put it together.

COMMISSIONER ALLY: But the picture you are saying, the picture does not change much in any event.

15 MR. L. MOTHATA: Ja so that was the bottom line, the bottom line is it more than doubles, it is a commitment that could prove very onerous to South Africa.

COMMISSIONER ALLY: Thank you.

JUDGE: Can I just ask of you, in your illustration of the cost of fee
20 education, have you concerned yourself at all with the ancillary costs that is to say transport, books.

MR. L. MOTHATA: Ja this analysis that you can see from a start and how we define models to now we are just looking at tuition. The ancillary costs which I know they are proper costs especially those that are doing

architecture and other, there is just a whole lot of other things but there are more variable and much more difficult to include in an analysis.

JUDGE: No, no I realise that but now supposing one is providing a large volume of free education, even if it is not a hundred percent, one would
5 surely have to look also at the cost of providing the ancillary services, the accommodation and the transport and so on in order to present a fair picture.

MR. L. MOTHATA: Indeed it would have to be taken that way so in this analysis what I was saying is just at the minimum of what would be
10 required, not even looking at the whole, the commitment will prove onerous, if I add those that complete fairness, doing a holistic approach it just compounds the commitment so this is at the minimum, at the minimum scale of where we could be sitting. Now the following charts are really just ja so that heading there it is wrong I copied it from another
15 presentation so please ignore the comments about Japan, it is not relevant to what we are discussing here but what I was doing here is I was looking at a hundred percent of what the government is spending on, so out of a hundred percent, 17.5 percent goes to basic education and right now where we are sitting with tertiary education at 5.5 in this
20 scenario that I painted it will put it right bang in the middle similar to expenditure on defence, I thought that was telling and that is the only point I was making there.

JUDGE: No I am afraid I do not understand this, if I look at the OECD countries expenditure on education and I see Japan is at about 8 percent
25 of total expenditure, how does that cord with 17.5 percent plus 5.5

percent?

MR. L. MOTHATA: I am not sure if I follow the question?

JUDGE: Well if you look at this graph.

MR. L. MOTHATA: Right ja.

5 JUDGE: And I find Japan about five from the end.

MR. L. MOTHATA: Ja.

JUDGE: At about I suppose something like 8 percent maybe higher or lower, now that is percentage of total expenditure on education, 8 percent.

10 MR. L. MOTHATA: Ja.

JUDGE: Now if I look at this one that is the purple one, proportion of expenditure by function of total.

MR. L. MOTHATA: Which is South Africa.

JUDGE: No this is Japan, second last one.

15 MR. L. MOTHATA: No I appreciate that, so as I was trying to explain, that comment Japan is a wrong comment there.

JUDGE: It is a what I am sorry?

MR. L. MOTHATA: It is not meant to be there.

JUDGE: It is not meant to be there.

20 MR. L. MOTHATA: It is not.

JUDGE: Well it may or may not, you mean the word Japan?

MR. L. MOTHATA: The words are wrong, I have copied this presentation, this particular slide from another one so that is an error it

needs to be cancelled out.

JUDGE: Do we just take out the word Japan?

MR. L. MOTHATA: We take out the entire sentence, this is total expenditure by South Africa.

5 JUDGE: Alright.

MR. L. MOTHATA: Apologies for that.

COMMISSIONER KHUMALO: Do we need to replace that with South Africa.

MR. L. MOTHATA: Exactly.

10 COMMISSIONER KHUMALO: And then as a Treasury or as a?

MR. L. MOTHATA: No so all we are doing is proportion of expenditure by function of total right, in South Africa excluding all those words about Japan, sorry that was an error.

JUDGE: No it is alright we need to get it clear.

15 MR. L. MOTHATA: Ja so now that that is clear, what I am looking at is a hundred percent of expenditure from the National Treasury and of that hundred percent 17 percent goes to basic education and 5.5 to tertiary education which brings us back to that 23 that we were talking about earlier.

20 JUDGE: This is the budget of the day before yesterday?

MR. L. MOTHATA: Yes this is of the February budget.

JUDGE: I see.

MR. L. MOTHATA: So tertiary education is still at the bottom in terms of expenditure commitment, to increase it, it means we will have to

reallocate out of a hundred percent obviously if you are taking away, let us say you are taking away another 5 percent it has to be taken from elsewhere, is it defence, is it municipalities, is it you know the actual government service, that is the challenge that National Treasury will be
5 faced with.

JUDGE: Unless of course one can find the money somewhere.

COMMISSIONER ALLY: If I may, you see everybody in the public jumped to defence and say do you need an army and do you need this, when you discuss the percentages of expenditure does it include
10 commitments that have been made that take you 20 years down the line and hence the expenditure represents that also, that is what I want to know?

MR. L. MOTHATA: Ja so the way they construct budgets they will have a line item, in fact a whole chapter on cotangent liabilities so those are not
15 observable immediately or expenses now they could be events that are triggered that will trigger an expense and that is why it is a cotangent liability, it excludes all cotangent liabilities here.

COMMISSIONER ALLY: But what I am talking about for instance Treasury knows that your strategic defence package would have cost 72
20 billion or whatever it was at that particular time and you have got to represent that over your NTEF periods and so forth so are you saying that is not represented within the 14.2 percent in terms of budgeting?

MR. L. MOTHATA: Ja one will need to clarify how that gets treated.

COMMISSIONER ALLY: You see because and that is the issue about
25 the budgeting and taking away, it is all fair and well to say take it away

but if it involves taking away that which is committed also then you have got problems along the way that as a principle I suppose one can go forward with the argument that you should be spending more on education than you are on some other items.

5 MR. L. MOTHATA: Like defence.

JUDGE: Yes.

COMMISSIONER ALLY: Like defence.

JUDGE: In other words the 13.6 better represents the priority given to education in the National Development Plan.

10 MR. L. MOTHATA: I appreciate that argument, ja it needs to be entered, it will be a huge overall in terms of commitments and reallocation, the Minister of Defence will have to be party of that discussion.

JUDGE: Yes, I am not comparing defence with education but I just say the 13.6 percent better represents its level of priority.

15 MR. L. MOTHATA: Ja.

JUDGE: That is all.

MR. L. MOTHATA: I will agree with that ja. Now just for information and this is to answer is there a role for private sector commitment here because the conclusion from this work is that it will prove exceeding
20 onerous for South Africa to commit to no tuition fees by students. There is a room for private contributions and there is evidence that has been expressed this is data only from 2015 it comes from Stats SA also and about 4 billion was donated to Universities with Stellenbosch University being the major beneficiary, KwaZulu Natal, Cape Town, Nelson

Mandela, Pretoria, Wits, the top 6, we are also beneficiaries but the lions share, the lions share was going to Stellenbosch. So 82 percent of this donations and this was an interesting statistic is concentrated only on the top 6, in other words the so called disadvantaged Universities, black
5 Universities historically do not receive enough donations, it is still Stellenbosch, KwaZulu Natal, Wits, all the traditionally privileged Universities are getting funding.

COMMISSIONER ALLY: But that must be seen in the context of that there are traditionally also research Universities and those were
10 presentations that we had received however a University like University of the Western Cape insofar as research is concerned is coming up in terms of what they are receiving and how they are evaluated in terms of research that their numbers are going up so they have told us, so whilst the graph presents what is happening I think the context should also be
15 provided in terms of what is happening at those Universities and what they provide rather than saying well the previously disadvantaged Universities are getting more and more disadvantaged that is a fact and it is a matter of how they themselves also bring themselves up in terms of what they provide.

20 MR. L. MOTHATA: I appreciate that but we will need to see University of Venda receiving a bit of donations here because that would be a nice proxy.

JUDGE: I do not know that without state intervention I do not see how you can ever hope to have a country University which is surrounded by
25 farms and open land as it were and relatively few people funded in the

same way as a University which is in a high density urban environment, whatever other reasons there may be also but that is one simple reason why there will be differences.

MR. L. MOTHATA: I suppose ja.

5 ADV. T. MABUDA: Sorry Mr Mothata just one question on the slide you are on here, you said the numbers that you are presenting here are just strictly on tuition fees so ultimately if the government was to offer fee free education on full cost of study that 13.6 could be significantly higher?

10 MR. L. MOTHATA: Oh I see what you are saying, what you are saying is the line on the expenditure from post education it is tuition and other things included.

ADV. T. MABUDA: Basically it, well the consideration of what fee free is or what we are considering is whether it is just tuition or it is full cost of
15 study.

MR. L. MOTHATA: Ja.

ADV. T. MABUDA: So if your numbers are based on tuition fees only if you were to factor in full cost of study which means accommodation that 13.6 would go much higher.

20 MR. L. MOTHATA: Ja, ja.

JUDGE: Then on the other hand it would come down if you are not going to fund everybody.

MR. L. MOTHATA: Indeed, so what I was doing here was doing the worst case scenario, the minimum that commitment can come from the

public, we can calibrate this anyway we want to, to get to maybe two or three scenarios but this is the worst case. Just looking at tuition, if I added more it could become even worse, in other words when we are adding paraphernalia expenses, ancillary expenses.

5 ADV. T. MABUDA: Thank you.

MR. L. MOTHATA: Okay.

JUDGE: But this is not the worst case scenario, the worst case scenario is 13.6 percent plus the cost of education.

MR. L. MOTHATA: The ancillary, ja agreed.

10 JUDGE: Alright thank you.

MR. L. MOTHATA: So this was just funding, I think there is room for private sector contribution, if there is any recommendation that I am proposing is we need to construct a way that we get private sector contributions to private sector funding.

15 JUDGE: I hear you, it is like saying you should put a shopping centre, you do not have to put a shopping centre where the market demands it you must bring the market to the shopping centre.

MR. L. MOTHATA: Well.

JUDGE: You can do these things.

20 MR. L. MOTHATA: Ja, there is a commitment from wealthy South Africans for a billion in one year.

JUDGE: Yes but commitment, if I give something to my daughter it does not mean I am going to give it to your daughter that is the extent of commitment.

MR. L. MOTHATA: Agreed, it is also because my child is there for a term, I can contribute, if he is there for three years I can contribute but once they leave that is it.

JUDGE: Yes.

5 MR. L. MOTHATA: No I appreciate all that.

JUDGE: Sure of course.

MR. L. MOTHATA: Now I am concluding here, it was just to sensitise you know the commission about the issues that we have in our country, relative to all sub-Saharan African countries South Africa has the highest
10 youth unemployment in Africa, it is much greater than that of the world, it is much greater than that of sub-Saharan Africa, the question of funding needs to be addressed significantly because we cannot have students pass well and not be able to go to varsity, an outcome that we have seen this year actually.

15 JUDGE: Well what do you put as the boundary of youth?

MR. L. MOTHATA: So this year they are looking at people that are below the ages of 34 but are above the age of 18, it is that bracket.

JUDGE: Is that the same standard as is applied to youth in Kenya and Mozambique?

20 MR. L. MOTHATA: Ja it is the same that is why I used the International Labour Organisation data.

JUDGE: And does the world actually value it the same way too, I am surprised to hear that?

MR. L. MOTHATA: Well this is the International Labour Organisation

create comparable statistics and they actually do primary research and they produce the statistics themselves so when they are downloaded from Excel it is comparable and the definition is the same.

JUDGE: Fair enough.

5 MR. L. MOTHATA: And that is why I used them ja.

JUDGE: Fair enough.

COMMISSIONER KHUMALO: And the population of the other countries is it as big as South Africa?

MR. L. MOTHATA: So in Ethiopia which is right at the bottom, Ethiopia
10 has more than 90 billion, we are sitting at 53, 54.

JUDGE: The world has a few more.

MR. L. MOTHATA: The world has a few more too indeed and the whole of sub-Saharan Africa combined has a few more. Kenya has similar, in fact very similar, they are like around 49, very similar to us population
15 size so that was just to sensitise that there is a need and there is merit in this work here and hopefully all South Africans will rally behind this to make sure that we do not have any students left out of receiving quality education. What is the conclusion of the matter and what was I saying here, countries with high tax revenue they appear to be in models that
20 are fully funded, in model 1 and 4 as we have defined previously and in SA tax revenue is at 25, it was 26 in this budget that is an average from 2000 to 2014 is too low to fund free education, indeed there is a need to think about private sector contribution from here.

JUDGE: This education tax on corporates that you suggest, would that

include an increase in the contribution made by Seta's?

MR. L. MOTHATA: So as proposal you could do that, I do know right now the wage bill, 1 percent of every company's wage bill is earmarked for that skills levy, a scenario is in the next budget the Minister could
5 arrive and say let us increase that to 5 percent and the 4 percent is earmarked for funding.

JUDGE: But I can see organised labour jumping up and down and saying what is being transferred to some other purpose is not going to be going into the hands of the workers.

10 MR. L. MOTHATA: I appreciate that ja, corporate taxes have not been increased, they still remain high relative to OECD countries, if we are in a shortfall as we have seen on Wednesday there is a physical authority that can make tax, you know tax policy and right now we need to fund education.

15 JUDGE: But, yes alright and one assumes that the Minister in looking at available sources on Wednesday decided that it was not politic for whatever reasons to increase corporate tax.

MR. L. MOTHATA: I appreciate, it is indeed was like that, all I am trying to say is that ...[intervenes]

20 JUDGE: Now why did he not increase corporate tax?

MR. L. MOTHATA: Well it is 3 percentage points above the OECD country average, in other words it is on the high side and the global trend in India, in Mauritius now in the US is that corporate taxes are going down.

JUDGE: No well I hear that but if one is to impose a tax which is called an education tax on corporates is anybody going to see that as any different from being a corporate tax?

MR. L. MOTHATA: I think because it is earmarked for funding education
5 and it should in the legislation be very clearly earmarked for that, in other words it goes to the Universities, it is better absorbed that a corporate tax that goes up, it is for a purpose, a noteworthy one.

JUDGE: An education levy of all taxpayers.

MR. L. MOTHATA: On all taxpayers ja so that includes personal income
10 taxpayers.

JUDGE: Yes.

MR. L. MOTHATA: Ja it can be done, so we can tax as, you know as is required but the work that came from the National Treasury which was interesting on Wednesday was that there is no merit to tax students for
15 funding education because it will raise about 3 billion and there has been ...[intervenes]

JUDGE: Sorry to tax whom?

MR. L. MOTHATA: The students, the actual students, the graduate tax.

JUDGE: Oh I see.

MR. L. MOTHATA: Ja so you graduate because you were, you know you
20 have got some education now we are going to tax you.

JUDGE: It would produce too little.

MR. L. MOTHATA: Will what?

JUDGE: It will produce too little.

MR. L. MOTHATA: 3 billion annually.

JUDGE: Yes.

MR. L. MOTHATA: And we need 60 at least.

JUDGE: Yes.

5 MR. L. MOTHATA: So there is no merit there but for corporates ja it may, in my mind it is a private sector contribution that needs to arrive.

JUDGE: Okay fair enough. Yes, is there anything else you would like to add, you have given us plenty to think about?

MR. L. MOTHATA: No that was really the contribution that one had in
10 mind.

JUDGE: Mr Mabuda.

ADV. T. MABUDA: Thank you Chair, Chair no further questions from our side.

JUDGE: Thank you. Have you looked at the ministerial task team report
15 on the funding of education for the poor?

MR. L. MOTHATA: No I need to engage that I have not yet.

JUDGE: Thank you very much Mr Mothata we appreciate it.

MR. L. MOTHATA: Thanks.

JUDGE: I realise that this has not been 10 minutes work thank you.

20 **NO FURTHER QUESTIONS**

ADV. T. MABUDA: Thank you Chair that concludes our program for the day we will reconvene on Monday at 10: thank you.

MEETING ADJOURNS

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HIGHER EDUCATION AND TRAINING**

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<u>RECORDED AT</u>	Pretoria
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<u>DATE COMPLETED</u>	26-02-2017
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