The Olympics of legitimacy, optics of disengagement and free education

An open letter to the citizens of the Republic of South Africa

Dear South Africans,

Today marks a year and a week since the breakout of the #FeesMustFall campaign across South Africa. The issues at hand are well known and have been much ventilated. I shall therefore not dwell on such issues but rather on the solutions.

In 2000, the university system had just over 500 000 students. In 2014, it had 980 000. In 2000 the government subsidy was around 50% of the costs. In 2014 – it had declined to 38%. The consequence of this is that the funding burden has shifted towards the students. Unfortunately, most of them simply cannot afford it. The inability to afford the fees has catastrophic implications for us all – we need to find a way around it.

3 weeks ago, I observed as members of the student movement prepared a document that sought to explain how the rollout of free education can happen. In that analysis, they used a projected cost of R60 billion as the initial cost of running the system annually. In their modelling, 600 000 students were as an example. With a cost of R60 billion and 600 000 students in the system, each student costs R100 000 to be accommodated in the system. In other words – if students were fully liable for paying the costs of running the system, each student would need to pay R100 000 to participate in the system. However, the current funding mix includes state subsidies and corporate contributions. The state currently pays 38% through direct subsidies; corporates (third stream) contribute 29% and students are responsible for 33% of the costs. If we split the R100 000 across the 3 participants, each student is effectively responsible for R33 000. Unfortunately, most of the students come from families to whom the idea of paying R33 000 to benefit one student is an impossibility.

In 2000, the university system had a greater concentration of white students than any other race; the state contributed 50% of the costs. In 2014 the system has a greater concentration of poor black students – and the state contributed only 38% of the costs. In 2000, 50% of white students were getting access to higher education – this has increased to 57%. Black students on the other hand, have moved from 9,9% to 15% over the same period. It is the vision of the National Development Plan to increase such participation rates to 24% by 2030. We cannot afford to allow financial barriers to access to undermine this key pillar of the National Development Plan. The students view this as a social injustice that they are struggling to understand. The students on the ground are questioning this injustice. They have spent time on the ground listening to the voices of the marginalised and the echoes of the excluded.

The response then was simple – the students would like the state to restore its contribution to the levels that were last enjoyed when white students dominated the demographics. Does this make a difference? Well naturally it does. If the state contributes 50% to the cost of running the system; it means that the state contributes R50 000 per student; the third-stream income remains at R29 000 it then means that the student is responsible for R21 000. This is core to the primary mission of the movement – that fees must fall. And the student model proved that fees can fall.

This can be done. All the students needed was a commitment towards this process of restoring the subsidy balance. But so far – they have not received such a commitment.

The second part of the student recommendation was focused on inviting corporate South Africa to the table. The greatest tragedy of the growth in the enrolments in the system is that the infrastructure has not kept up. In 2014, residential universities only had enough beds to accommodate 20% of the student population. Even more disturbingly, only 5% of first year students were accommodated. This means that most of the students are then exposed to the predatory industry of private accommodation providers and squatting. In Durban, the University of Kwa-Zulu Natal and the Durban University of Technology use Lonsdale Hotel as one of the 'approved' accommodation providers. Unfortunately, Lonsdale hotel is popular with the drug dealers and the prostitutes from Point Road in Durban. This is a tragedy. And yes – the Department of Higher Education is aware of this; it was clearly ventilated in the 'Student Accommodation' Report commissioned a few years ago which was chaired by Professor Ihron Rensburg. Yet very little has been done. Multiple reports have indicated that students perform better when they are housed in appropriate and dignified structures. Those who are most exposed to this tragedy are the students who migrate from rural areas to study in the urban areas – only to find that sharing a decaying hotel with prostitutes is the best that we can give them. We cannot carry on this way.

The students' understanding is that the backlog that exists in rolling out this infrastructure is due to a lack of funding. The building of a residence, a laboratory and a lecture theatre are currently the responsibility of the state and the universities. This is facilitated through 'earmarked' grants. Unfortunately, such grants have not kept up with the need – but the students have found a way around this problem. Corporate South Africa has the funding that can be used to assist in this process. They have billions in cash reserves that are not being used. This can be addressed. The students proposed the creation of an infrastructure fund aimed at addressing the backlog. If an infrastructure audit is done and works out that R10 billion of the R60 billion cost relates to the creation, upgrading and maintenance of infrastructure – then it is possible to call upon corporate South Africa to contribute R10 billion towards such a fund. In return – such corporates would enter into a 15-year tax holiday system. In other words, if a company contributes R15 million into the fund, we would then reduce their taxes by R1 million every year for 15 years (before factoring in the cost of capital). This means that the infrastructure backlog can be fixed immediately without the state writing out a cheque. This is a solution that is worth exploring.

The important this about this idea is that it addresses 2 key problems. The infrastructure backlog is fixed immediately and more importantly – we have just taken out R10 billion from the university cost structure. In other words – even if the state didn't change its subsidy contribution and simply advocated for such an infrastructure fund – we would be able to reduce the cost per student. Now imagine what happens when we actually achieve both – an increase in the subsidy and the creation of the infrastructure fund – imagine the benefits to the poor students. This is how fees can fall South Africa. It can be done.

Fees have fallen – now let's reduce them further

The #FeesMustFall movement is primarily about the reduction in fees. The student model has just indicated how this can be done. The next question is what happens after we do this and there is still an amount to be paid? This is the second part of the conversation – the reduction in fees for students. The key part of this conversation is the explicit acknowledgment that the student proposal advocates for a rollout of free education for everyone in the system – and there are compelling reasons for this. It is important to understand that free education does not actually mean the universities stop receiving money – not at all. But rather, the payment point is not at the student level as far too many of them simply cannot afford to pay. In an ideal world, we would then use other sources to pay on behalf of the students. In the report, 5 possible avenues that could be used to facilitate this process were identified. They are: -

- **Skills Development Levy:** An increase in the Skills Development Levy by 1% would raise additional funds that will be utilised solely for the funding of universities. OR

- **Increase in corporate taxes:** The effective corporate tax rate has decreased from 36.89% over the last decade to an effective tax rate of 28%. An increase of 2% to 30% could be implemented and be applied exclusively for the benefit of the tertiary education system. OR
- **Increase in Personal Income Taxes:** It is important that the wealthy play a critical role in sharing their privilege within the sea of poverty that the vast number of South Africans live within. An increase in the maximum tax rate for individuals is a possibility. As with the corporate taxes it is recommended that the increase be applied exclusively for the benefit of the tertiary education system. OR
- **Once-off apartheid windfall tax**: During the apartheid regime, South African companies that benefited unfairly by abusing state resources and other means should be liable to a once-off tax. This tax must be levied on the basis of profitability that was generated unfairly. We recommend an inquiry into this by a reputable Commission to determine liable parties and approximation of amount payable OR
- **Increase in wealth taxes**: these include capital gains tax; dividends tax; donations tax and estate duty.

The comprehensive report – which is available on request – details exactly how much could be raised from each of these avenues and how this funds the rollout of free education.

I would now like to draw your attention to the key questions surrounding the student proposal. This is based on input from the various students and stakeholders who have responded to the framework over the past couple of weeks.

Can it be done overnight?

The students are under no illusion about how public finances work – they definitely understand that such things don't happen overnight. But 22 years of waiting means we need to inject a new sense of urgency into the conversation. Students thought October 2015 was the catalyst for urgency. This has not turned out to be the case. The student model therefore looks at a gradual rollout based on the understanding that we are no longer in a position to negotiate on the question of funding poor students – this must be facilitated immediately. The students are also of the opinion that the funding question shares intricate intersections with the question of race and historical disadvantage. However, an increasing number of black families are middle class and wealthy; and this has been incorporated into the model. Success in higher education is fundamentally influenced by basic (and secondary) education. The students have therefore grouped the population into 5 classes. These are as follows –

Class 1 – family income below R300 000 AND from quintile 1, 2 and 3 schools

Class 2 – family income below R300 000 AND from quintile 4 and 5 schools

Class 3 – family income between R300 001 and R450 000

Class 4 – family income between R450 001 and R600 000

Class 5 – family income above R600 000

These classifications are important and problematic in equal measure. Important in the sense that they help identify the different income levels which translate into different levels of 'ability to pay'. Problematic in the sense that the level of R600 000 is in line with the statement made by the Minister – and we remain unsure how this number was identified as the benchmark. In addition, students do find the idea of having to parade one's poverty in order to be classified inherently de-humanising. We've been here before – and we know how it feels to be paraded on the basis of your history of disenfranchisement.

The cost of rolling out free education overnight for everyone is prohibitive and unaffordable –

for now. So, the proposal is that free education must be made immediately available to class 1 & 2 students – with the proviso that this is a subsidy and not a loan. In addition, class 1 students can be funded for regulation time plus one additional academic year. Class 2 students are funded for regulation time only.

In relation to class 3 and 4 students, the model calls for a family contribution model with the excess covered through a state subsidy scheme. Class 5 students are then expected to cover their costs during this phase. Over time, all students should be covered by this funding model.

This means that the students are not asking for R60 billion overnight but in a phased-in approach.

What's wrong with NSFAS?

This is one of the most important parts of the conversation. In September, the Minister of Higher Education indicated that the state would fund the increase for all students from households whose family income is below R600 000. In the Minister's statement – 3 types of students have been identified. Those below R122 000 who will be funded through NSFAS loans; those between R122 000 and R600 000 whose increase will be covered – so they need to pay the 2015 fees; those above R600 000 who are expected to pay the full costs at 2017 rates. The universal view was that such concessions were dramatic and ground-breaking – and yet the student movement rejected them.

The reasons are quite simple. Firstly, the instrument being used by the Department of Higher Education – the National Student Financial Aid Scheme (NSFAS) is burdened with a legacy of underperformance. The call from the students in 2015 was very clear – NSFAS is not the solution. In the 1996 deliberations that resulted in the 1997 White Paper, NSFAS was regarded as a stop-gap mechanism to address an immediate question of how to facilitate access for poor students into the system. Since then, it has spectacularly failed to keep abreast of developments.

The scheme is only available to students whose family income is below R122 000 (the cut-off point/qualification criteria). The average cost of study in South African universities is R74 820 (2015 rates). In other words, if a student is from a family that makes R125 000 they are excluded from the scheme and are expected to pay out of their own pockets. Fellow South Africans – R74 820 represents 60% of a family's gross income – 60%. This is not possible. It is equally important to note that the average taxable income for all South Africa is just over R251 000 and R74 820 translates to 30% of such a family's income. At the extreme end, the average full cost of study at UP is R99 900 (2015 levels) and this represents 40% of the average taxable income of South Africans. It gets worse at UCT and Wits.

The secondary problem is the tragic manner in which NSFAS creates a revolving door of poverty for students. Professor Bhengu warned us about this in 1997. Firstly, during university, a student on NSFAS is underfunded. In 2015, NSFAS indicated that the average full cost of study across all universities is R74 820 – and yet NSFAS had a cap of R67 200. If a student is on NSFAS at the University of Pretoria – the average cost is R99 900 (R100 000) – and NSFAS only pays R67 200. So, during their studies – these students are subjected to ongoing exposure to hunger, limited resources and associated frustrations that impact on their studies. The poverty of the soul is replicated at university. This has devastating impacts on the throughput and the graduation rates.

Once NSFAS students graduate, they leave with a loan that needs to be paid back. This has come to be regarded on the student movement as the 'black tax' problem. Most of the NSFAS beneficiaries are first generation graduates who need to support their families. Naturally, most default on NSFAS loans. The recovery rate for NSFAS loans is below 12% - which makes it a permanent cost to the state as it will always need to be bailed out. It will simply never be able to sustain itself.

This is not just an adverse critique of NSFAS by students who don't want to pay – far from it. This is actually a summary of problems that NSFAS itself identified in 2009 – and spent 7 years doing absolutely nothing about fixing itself. To then have students who call for a universal rejection of the scheme in 2015 only to receive an answer in 2016 that promotes this failing model is problematic.

So, from the student's perspective – NSFAS will still bring through a promise of limited coverage and does nothing to address the core issues identified in 2015.

The Department of Higher Education's statement in September also quite remarkably, does nothing to alter this qualification criteria of R122 000. In other words, students from the middle-income group are actually expected to pay fees at the same level they pain in 2015. If a student is at the University of Pretoria and paid R100 000 in 2015, the minister has given the university the licence to increase the fees in 2017 to R108 000 – and then only cover R8 000 out of R108 000. This does nothing for the middle-class family with an income of R125 000 which still doesn't qualify for NSFAS. They cannot afford to pay R100 000 for one student.

The students aren't asking for free education for all – the Minister is offering this

The initial position of the student movement was not free education for 100% of the university population – there are clearly people who have enough resources to pay their own way. In seeking to identify who needs to be covered, the students opted for the concept of 'ability to pay' which is in line with the proviso of the 1997 White Paper which stated that funding for students that need to be assisted should be aligned with the 'ability to pay'. In this case, the approach was to use the average full cost of study as the benchmark and then state that a family should – at the high end of the scale – be expected to spend a maximum of 15% of its income in funding university education. The proviso was that a family that earns below R180 000 will pay zero and the 10% test applies from R180 000 to R300 000; then it becomes 15% for families between R300 001 and R450 000. In this model, a family on R180 000 is fully subsidised. A family on R300 000 pays zero on the first R180 000 and then 10% on the value between R180 000 and R300 000. The maximum family contribution in this group is therefore R12 000. The excess is then covered through a state subsidy. It has not been the intention of the students to roll out free education for 100% of the population.

The truth is that the Ministerial announcement on the 8th of September 2016 advocated for something that the Minister had been adamant should not be done – funding for everyone! The statement identified the poor and missing middle as students from families with incomes up to R600 000 – that is, 99% of the population. This statement shocked students on the ground as the implications were problematic. Naturally, the students worked out that if the Minister is in a position to advocate for the assistance of 99% of the population, 100% may well be the case.

The difficult part about this announcement is that the students actually do not understand where the idea of R600 000 being the cut-off emanates from. The Minister's statement indicates that 30% of the students within the population have this R600 000 benchmark. This is difficult to reconcile with the hard facts. The SARS data from as recently as 2015 indicated that only about 1% (566 074 taxpayers from a population of 55 million) of South Africans have incomes that are above R500 000 – yes, 1%. This means that those above R600 000 are even less than 1% of the population. Even if their university participation rates were over 80% (which they are definitely not) the idea that they can be contributing to 30% of the university population is remarkably difficult to reconcile. If one were ambitious enough to say that 10% of South African families earn above R600 000 we would still not be able to make sense of how they can possibly represent 30% of the population within the university system. It would require a sum of coincidences never achieved before – all their children would have to be university-going and all in the SA university system at a specific point in time.

We can only assume that the Minister and the universities will be relying on the same SARS data to identify such students, and clearly there has not been a meeting of the minds in this regard. In short, the reality of the Minister's statement is that the family income of R600 000 covers over 90% of the student population. This means that there is essentially little difference between the Minister's position and the student position based on these findings. To cast aspersions on the student movement and accuse it of immorally advocating for the funding of the rich is unfortunate as the Minister's own interpretation of who needs to be regarded as poor (below R600 000) actually refers to 99% of the South African population. Having conceded on the rhetoric that funding should be for the poor and the missing middle only the students then found the ministerial announcement to be going in the other direction.

In the unlikely case that we can establish that the Minister's calculation is correct and the rich do make up 30% of the population – we need to seriously question how on earth we ended up with public institutions that reserve 30% of spaces to the top 1% of the population. Is this not the definition of inequality? The only explanation is that the poor are kept out due to the high barriers to access – and it is precisely this problem that we are trying to fix.

Then there are the practical problems that every university will face in the short term. The reality is that middle class students have never had to declare their family income anywhere as they would never get NSFAS anyway. Only poor students have been subjected to the annual humiliation of parading their poverty in order to be evaluated for funding. No university has created the resources aimed at gathering accurate data that is needed to distinguish between the poor, the middle and the wealthy students. Consequently, universities still don't actually know how they will identify who qualifies for this Ministerial subsidy – and it is October 21.

http://www.sars.gov.za/AllDocs/Documents/Tax%20Stats/Tax%20stats%202015/Tax%20Stats%202015%20Highlights.pdf

The morality of funding the rich

A key criticism of the student movement is that by remaining on the streets, they are advocating for the funding of the rich kids. This refers to students whose families earn more than R600 000. The Minister of Higher Education has been a vocal advocate of getting the rich to pay directly – with significant support from other stakeholders. Throughout that time, the students' position has remained that they advocate for universal coverage for all students – including the ones regarded as rich. Most people who are against this position state that funding the rich actually promotes inequality and subsidises the rich at the expense of the poor. In addition, the consensus is that such a position is immoral because it calls upon the state to steal money from basic healthcare (a big favourite of the News24 comments brigade) and other social services. This is absolutely incorrect.

The students are very well aware of the distinction between first generation rights (basic education, primary healthcare, the right to life) and all other rights. In addition to these rights we have what we might regard as second generation rights – where students think higher education belongs – and the rest of the rights associated with a developmental state. For example – we spend more on defense and the military than we spend on higher education, yet the clever commentators have decided that the students are trying to raid the coffers of poor hospitals and struggling schools.

Others are quick to highlight that ours is the most unequal of societies – and quote the Gini co-efficient as their trump card. Well to be brutally frank, if the source of our inequality is the fact that we have a few thousand rich kids in our university system then I suspect someone would have banned the rich from this system long ago and fix the inequality conundrum. The reality is that the current structure of the higher education system contributes to the inequality conundrum but is not responsible for it. Part of the debate is based on the fact that rich families have a high participation rate – in other words over 50% of the kids from rich families enter the system; compared to just 10% of the poor kids. But this is precisely the point – the current system favours the rich simply by implementing significant financial barriers to access for the poor.

Other commentators state that once the system is open to all then only the rich will flood it anyway. A common example used to explain this possibility is the Brazil case study. In Brazil access to higher education is universal so the university authorities simply increase the academic barriers to access in order to control the influx. Naturally the rich kids with better schooling get in and the poor are left out. Well actually, that has more to do with Brazil's inefficiency than an inherent limitation of open access. South Africa is better than Brazil in understanding its basic education system. For a start, it is unlikely that the rich in South Africa will multiply overnight. And since finance is not a barrier to access for them anyway then it is unclear how opening up the system will lead to more of them entering it – they are already buying their way into the system. Brazil has 26 public universities catering to a population of 200 million; we have 76 institutions designed to cater for a population of 55 million. More importantly, unlike Brazil – we group students into 5 different quintiles based on various socio-economic factors that influence their education. It is therefore simply a task of deciding that a certain percentage of higher education places will be reserved for quintile 1 and 2 students. This means that universities will actually have a responsibility of finding the best talent from the poor schools and guaranteeing access into these open universities. Best of all – I am not making this up – the universities of Cape Town and the Wits and UKZN Medical Schools already do this – and they are the top institutions in Africa. But social commentators are not interested in such information because the demonisation of the student movement is far more useful to them.

https://www.uct.ac.za/dailynews/?id=8735

http://www.timeslive.co.za/thetimes/2014/04/10/wits-proposes-new-med-school-admission-policy

What is particularly disturbing about how these commentators insist that opening up access to all favours the rich is that they actually have a high level of self-interest in the matter. The reality is that they are not advocating for the rich to pay for themselves but for the state to subsidise them at the expense of the poor. The reasons are simple.

The average full cost of study for a degree at UCT in 2017 will be R130 000. So, if – as Minister Nzimande has indicated on public platforms – he sends his child to UCT he will be able to pay this R130 000. Except the truth is a bit more complicated. Firstly, the rich people tend to live around the economic hubs which are the locations of the universities they prefer. In other words, such students live at home and their contribution to the university system is not actually the full cost of study but just the tuition fees – which average R51 000. Then it gets worse, the rich then actually pay for the 3 or 4 years in which they are involved in the system – then they disappear. I would like to say that this is the worst part of it but there is more. The reason the rich are keen to pay for themselves is that their approach actually takes money from the poor. Remember that the system is subsidised by the state. So, if the we had to work out the true cost of a UCT degree (without a state subsidy) then the cost would be closer to R200 000. In other words, the rich *pay* a cost that is already subsidised by the state to the detriment of the poor. But now they pretend that the students are the ones that are introducing inequalities into the system – this is absolutely not true. So, until the rich actually understand that their cost of participating in the system is heavily subsidised at the expense of the poor (who cannot even get in) and still say that that they want to pay this true cost of R200 000 – we need to question their motivation.

In the student proposal, the best way to get around this inequality of design is to gradually introduce free education for all – with the express proviso that the rich will pay increased taxes rather than direct payments to the university. The reason – well the rich can always send their children elsewhere and if they stay here, they only pay for the duration of their children's involvement in the system. Increased taxes however – are collected for much longer than the duration of a degree. This is how we can correct the inequalities that have been built into the higher education system based on the way it is currently funded.

Who must share the burden?

Naturally this brings us to the next part of the conversation – who really should be paying? The general theory is that our university system is elitist and primarily benefits the richest quintile of the population. This is then used to argue that such an elitist system is not a public good anyway. Much is made of the fact that university education benefits the graduates primarily and society hardly benefits. The students' position is that university education is a public good that has significant private benefits. The primary social benefit is that only 8% of graduates are unemployed compared to over 50% of youth with no tertiary qualification. The private benefits accrue to the individual and the employer. The students are therefore of the view that the cost burden should be shared equitably across the three stakeholders – society, the employers and the graduates.

The current model of loan funding for the poor is the revolving trapdoor into poverty that Professor Bhengu warned us about in 1997. To explain the point more explicitly I shall use an example of 2 students – one rich and another poor who sign up for the same degree at UP in 2015 when the average full cost of study is R100 000 (tuition is R50 000 of this total). The rich student is from Pretoria central and therefore drives from home to campus and only pays tuition fees. But wait – the rich student scored straight A's from Pretoria Boys High and hence gets a merit scholarship which is 50% of the tuition fees – and ends up paying only R25 000. The poor student from Mamelodi on the other hand, gets given an NSFAS loan of R70 000 and then has to share a room and meals with other students in off-campus accommodation as NSFAS only covers R70 000 of the R100 000. This student gets no academic discount because his school was never in a position to enable him to get straight A's. 3 years later, the rich kid graduates in record time, the poor kid eventually gets out after 4 years with an NSFAS loan and additional top-up loans from loan sharks. The rich kid graduated in record time and gets the best job on the market. The poor kid arrives on the job market a year later with a tainted academic record and a loan statement from NSFAS...

The main problem with this narrative is that we have failed the poor student through not providing adequate funding. The offensive thing about this narrative is that we charged the rich kid only 50% of tuition fees because his high school results were excellent. The scandalous this about this narrative is that the fees we charged to the rich kid were subsidised by the state. In other words, we are the drivers of the inequality project. Worse still – at the end of it all – the rich kid leaves the system and says that "I paid my own way and don't owe anything". The poor black kid owes NSFAS – and is reminded about this wherever he goes. The rich kid is not being honest because he didn't pay his own way through the system; the state firstly subsidised his high school costs and then paid almost 40% of his university costs through the subsidy contribution. But only the poor kid is given a loan statement at the end of this process. This is a moral outrage.

We need to get the rich students to actually pay back into the system the hidden benefit they enjoy as a result of the subsidisation model, that will reduce the inequality within the system. So, next time the rich advocate for society to regard them as a special class of citizenry that can afford the university costs – we need to ask them if they are referring to the subsidised cost that takes resources from the poor or if they are committing to paying the true cost of their participation.

The corporate question is another issue we need to resolve. The primary beneficiaries of the graduate talent pool are the employers – and yet they are not asked to participate in the funding of the university system. The skills development levy is an exact opposite of the revolving door of poverty that poor students are subjected to. In this process an employer pays 1% of payroll into a SETA. The SETA then pays back the employer an amount if the employer can prove that they have conducted 'workplace training'. Then – and this is really disturbing –

the same employer classifies the student in training as a ‘learner’ and then claims a learnership allowance from the state. Of course, it can’t get worse – but somehow it does. The employer then gets a tax deduction for the cost of ‘accommodating’ the student in the system. In other words – the employer is enjoying the ride of a revolving door of enrichment that is funded by the state. And yet no one complains about how such practices and leakages drain resources that could be directed towards basic services. Why?

The students’ view is that the graduates and employers should contribute directly to the university system through an enhanced corporate levy that is earmarked for tertiary education. This is the only way we can ensure that the 3 stakeholders – the corporates, the graduates and society contribute an amount that is commensurate with the benefits they obtain from the university system.

Free education for the state and society – the students actually want to pay!

The most revealing element of my time on the ground is the realisation that the real point of the movement has been lost in the noise that dominates the headlines. Until now you might think that the students’ only goal is to ensure that students never pay. But South Africa, I would like to inform they that they actually have a dual set of goals. The primary one is to move the cost burden away from the students’ hands as most simply cannot afford it. This underpins the ethos of their proposal which advocates for free education for students on a progressive basis.

But the students actually have a much greater ambition of ensuring that they pay for their own education without relying on the state to redirect resources from elsewhere. In the proposal, they have advocated for a Higher Education Endowment Fund which houses all contributions and then distributes them according to the needs of the student population. They are very clear that such a fund will be better placed to deal with the funding crisis compared to the current model which is defined by fragmentation, lethargy and leakages. In the 1997 White Paper deliberations, it was concluded that the creation of such a fund would be *expensive and impossible for the state to bear*. I would like to believe that in 1997 Professor Bhengu lacked 2 crucial instruments of implementation which we now have as a country.

Firstly, the National Treasury is not in the habit of ring-fencing tax revenues for specific purposes. The only exception to this philosophy is the skills levy which is specifically earmarked for skills development and the UIF and RAF. Secondly Professor Bhengu did not have the benefit of hindsight and could not have foreseen how inefficient the NSFAS system would turn out to be in the face of ballooning enrolments. These are key instruments that we now have at our disposal. The students’ view is that the university system can actually fund itself in the long run. This is the idea they have been unable to articulate to South Africa because the hysteria has been focused on the demonisation of the student movement. But now that the students have your ear – we can inform you that the mission is to move the burden of costs from the students to the graduates – with society and the state playing a crucial role in the transition phase. Here is how they are planning on rolling out free education.

Phase 1 – free education for students paid for from various sources

The student model is made up of 2 phases. Phase 1 focuses on creating the Education/Endowment Fund and phase 2 focuses on ensuring that such a fund is self-sustaining – in other words, they actually want to pay for their own education and it is actually ‘free education for the state’ and not for the students. Read that again.

The Education Endowment Fund will form the umbrella for funding students in the current system. (The mechanics of this are articulated in the detailed report which is available on request). In that model the students have provided for full subsidy funding for class 1 and class 2 students. They then advocate for family contributions from the class 3 and class 4 students with the state covering the excess. Class 5 students will initially make family contributions with the subsidy funding kicking in over time. This is the immediate rollout of free education.

In order to fund this rollout, they have identified multiple avenues that can be used. However, the long-run model is what the students believe should define the legacy of this administration.

Phase 2 – a self-sustaining education fund

Having articulated that the costs of university education should be shared by the state, the graduate and the corporate, the students now explain how this will be implemented. In conceptualising the Education Endowment Fund, they have envisioned a structure similar to a pension fund and a medical aid fund. In such structures, cross-subsidisation is key to the sustainability and solvency question. The mechanics are simple; a fund is created and its initial capital injection is made up of the current NSFAS contribution plus the additional skills levy. Once we have such a fund, all graduates that exit the system from that point onwards will be contributors to the fund. These contributions will be structured through a payroll tax model – the current skills levy moves from 1% to 2% (representing the corporate contribution into the system in their capacity as primary beneficiaries of the graduate talent) and a new corporate/graduate levy (similar to UIF so it is a payroll tax borne by the graduates to acknowledge their capacity as the chief beneficiaries of university education) of 1% to 3% will be ploughed back into the fund.

The distinction between this model and the current NSFAS model is that the NSFAS model rolls out loans for the poor and seeks to collect such loans from the poor. It also limits its collection to a fraction of its actual investment. For example, if NSFAS loans a student R50 000 per year it actually converts some of it to a bursary and then writes that part off. Then whatever remains after the write-off will be collected and then NSFAS stops as soon as it has recovered that amount. The reality is that NSFAS will therefore remain a permanent cost to society that needs to be funded annually. This year it increased its contribution by 70% and yet it still doesn't achieve appropriate and universal coverage of the poor. The students do not plan on being a permanent cost to society. They actually want university education to be free to society. Here they are offering to pay for themselves – and yet no one is willing to let them do this.

This model is unique in that it rejects the idea of a loan statement being given to poor students upon graduation. Rather all graduates are regarded as beneficiaries of the university system whose contribution to the system is not limited to a loan. And yes – this includes the 'rich' students who have so far received this hidden benefit of paying fees that are subsidised by society. They are beneficiaries of the system – and unless they are in a position to prove that they paid the true cost (which excludes the subsidy) they need to pay for this hidden benefit just like the poor students who are forced to pay through NSFAS.

The sustainability and solvency of this fund is easy to achieve. In their modelling, the students have assumed that 40% of students will be regarded as poor and need full funding. These will be paid for in full. So, the cost exposure is to 40% of the student population. However, because every single graduate in South Africa is benefiting from this state-subsidised university system then the collection is from 100% of the graduate population. Whichever way you look at it – this is a system that will fund itself and will not be a cost to the state. It is also different from NSFAS because NSFAS aims to collect from each graduate up to 15 years – and then simply writes off whatever has not been collected. In the preliminary projections, the students' model reaches self-sustainability – in other words the contributions coming in from graduates will match the costs of students within the system – in just a 7-year period. Beyond that, we can safely say that South Africa will have reached a new social compact where university students are not funded by the state but by the previous graduates. This frees up significant resources that can be redirected towards other essential services including basic education.

Like any pension or medical fund structure, the system will need an initial capital investment and then starts funding itself in the medium-term. South Africa, the reality on the ground is that the student movement is calling for free education, but it would be selfish of the student movement to call for free education and then give nothing back. The true story is that it is actually “free education for the state” that the students are aiming for. They actually want to be able to pay their own way as graduates. The model ensures that the private benefits associated with higher education are reflected in the students’ commitment to fund the education fund into perpetuity. (I believe that this is the first time any organ of society has consciously decided to wean itself away from being funded by the fiscus). The students can therefore not understand why the country is not allowing them to pay their own way and fund their own education. All they are asking for is seed funding in order to implement this ground-breaking initiative.

South Africa – this is what the student movement on the ground has been trying to articulate for the past 12 months. Surely we can now afford them the courtesy of considering their proposal?

The Olympics of legitimacy

You might be wondering at this stage why our universities are still burning if such a solution exists – and you would be right. The unfortunate reality South Africa is that the country has spent the past 12 months engaged in an Olympics of legitimacy across the board. Within the student movement, there are fragmentations as we all question the legitimacy of the next person instead of focusing on the core objective. At the state level the legitimacy problem has been more explicit. Earlier this year, a group of students tried to engage with the Ministry of Higher Education to explain how this needs to work and were rejected – instead the conversation was limited to those regarded as more legitimate persons. The reality is that the student movement do feel that this is a cause that they championed – and hence their involvement should not be negotiable. But this has not turned out to be the case. We are reliably informed that the Minister had a task team dedicated to finding the solution, the politics of legitimacy is that the students have no idea who made up that team and how the student issues were ventilated as part of the deliberations. The consequence of not providing legitimacy to the students by not allowing them to intimately engage in the process is that they in turn question the legitimacy of the team’s findings. This gets us nowhere.

The legitimacy question transcends the role of the Minister of Education and the President himself. The reality is that last year the Minister made an announcement of 6% - only for the president to come back with the 0% concession. In the eyes of the movement on the ground, the Minister’s 8% for 2017 is going to be subjected to the same treatment. It must be noted that since that day almost 5 weeks ago, we have yet to see the Minister and the President on the same podium explicitly stating that 8% is the answer – or not. The optics of disengagement are only fuelling the fire. It got a bit more intricate when the Presidential task team was announced and – subsequent events notwithstanding – the structure was regarded as not a legitimate pursuit for a solution based on the funding conundrum but rather a military response to the pursuit of social justice.

Perhaps the most extraordinary legitimacy conundrum of all relates to the status of the Fees Commission. The reality is that the question of free education (at least for the poor) was deliberated and answered in 2012. It is therefore unclear to the student movement why another Commission can deliberate on the same question 4 years later. Whenever they get a question of whether they plan on presenting to the Commission the answer is simple – they will bring a copy of the 2012 report and say “Justice Heher – here’s the answer, now explain the legitimacy of your hearings”. We do not want to get to this stage. The reality is that it is inconceivable that this Commission can arrive at a different answer to the 2012 report so they strongly believe its terms of reference should focus on the implementation question.

An unfortunate consequence of the legitimacy conundrum is the reality that our society has grown to believe that when dialogue fails, violence is regarded as the answer. From my engagements on the ground I can assure you that violence is not the primary instinct of the student movement but the sad manifestation of the frustration felt at the ground level. I can also assure you that I was on the ground for 11 days in October 2015 with the student movement where not a single window was broken. This year, the psychological threat that is created by the presence of police on the ground has elicited reactions that are far divorced from the orderly proceedings of last year – this is a great tragedy.

The students are acutely aware that there are problems associated with attrition rates and throughputs in the system. They have gone all out to firstly classify students on the basis of quality of secondary education rather than race – hence the funding rollout distinguishes in terms of the quintile in which each student's school is classified. In addition to that, they have established that the higher education system is made up of 76 institutions – 26 universities and 50 colleges – and have already incorporated a social capital dynamic in order to improve the throughput and success rates. As a first step, they are planning on embarking on a process of finding unemployed graduates in the social work, psychology and health & wellness fields. The target is to find 230 such graduates and locate 3 in each higher education institution. The students will then embark on a campaign of raising funds to pay for the salary of 1 such graduate in each institution; partner with corporate South Africa to fund the second graduate and the department of Social Development to fund the third graduate. They will then create a learnership programme at every institution where 2 students from each institution spend a year on their campus working with the 3 graduates in order to ensure that each institution has 5 full-time staff dedicated to supplementing the social capital deficits that most poor students experience when they enter higher education. This is part of the solution matrix that students have been actively engaged in – and all they need is a platform to explain this solution.

In all these legitimacy questions – the state's legitimacy as the final arbiter remains unquestionable. It is therefore evident that the students regard the state's legitimate authority as the inevitable deal breaker that will move us all forward. The students would therefore be happy to present a model that explains that theirs is a mission to achieve free education for South Africa – they are definitely planning on paying for it. All they ask for is seed funding and some understanding from the society and the state. All they are asking for is to be given the same legitimacy that is being allocated to everyone else in the conversation. That is all they ask for.