Administered Prices

EDUCATION

A report for National Treasury

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Preface

This report was prepared for National Treasury to support its assessment of administered prices in South Africa. The objective of the study was to assess the processes involved in setting prices in regulated industries. By evaluating the efficiency, effectiveness and analytical rigour of the regulatory processes involved in setting prices for the services involved, an assessment can be made of the likelihood that the resultant tariffs approach efficient levels. Volume I of the report sets out the main findings and recommendations with supporting information relating to the individual sectors included within the scope of the study provided in a summarised form. Volume II contains more detailed sectoral reports, covering individual review of the water, electricity, telecommunications, transport, health and education sectors.

The report does not offer a detailed quantitative assessment of the performance of the regulatory regime, and is largely based on in-depth interviews and documentary analysis. The authors would like to thank the interviewees for their cooperation and valuable insights. Although much care was taken to provide a correct reflection of the opinions expressed, the authors remain entirely responsible for any inaccuracies.

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Because of the increasing financial constraints on educational investment, developing countries are not only searching for alternative ways of financing education, but they are also paying closer attention to the costs of educational investment.

Decisions about educational investment depend on judgments about the balance between costs and benefits. These judgments in turn are based on a systematic comparison of the economic benefits of education and its opportunity cost, which is measured not only by actual monetary expenditure, but also by the alternative opportunities forgone when scarce resources are invested in education.

Very little is known about the costs of education in South Africa. Although there is good budgetary data on education, such data are often inadequate for a detailed study of costs since they cover expenditures rather than real resource or opportunity costs. Moreover, they often present planned or provisional budget estimates rather than actual expenditure. In addition, there is very little data on private expenditure.

In addition, the South African education system is characterised by the absence of adequate knowledge about schooling outcomes. Undue emphasis has been placed historically on the matriculation pass rate and very little on cost-effective analyses to determine outcomes of education in non-financial terms (such as literacy and numeracy levels).

This study makes use of the extremely limited data sets to analyse education prices, both in terms of public and private costs. The data only allow for a piece-meal analysis of education costs and not an integrated, time-series analysis – which suggests that much more research and analysis are required to understand the various dimensions of and the factors influencing education costs in South Africa.

Four sets of cost items are key to obtaining an understanding of public costs in the schooling system: personnel expenditure, textbooks, pupil transport, and infrastructure and capital equipment.

In contrast to many developing countries, South Africa appears to be containing increases in educator salaries, the major component in educator costs, at least for the past three years. This is in contrast to the early years of democracy when the education salary bill rose dramatically as a result of the imperative to ensure gender and racial parity. However, there are some ‘hidden costs’ not measured in most instances, relating to teacher performance. For instance, the South African education system is characterised by a high rate of teacher absenteeism.

Containing personnel costs has seen a strong recovery in non-personnel expenditure – largely due to growth in capital expenditure, which mainly comprises the building of schools, the provision of extra classrooms in over-crowded schools and replacing dilapidated buildings.

Textbooks constitute a significant factor in education costs. Some views suggest that the textbook industry may not be sufficiently competitive, and that it is characterised by too many sole-supplier situations, which prevent the emergence of competitive prices. Higher prices could allow producers to make abnormally high profits, or might simply sustain inefficient production processes. However, more research is required on this subject to inform government policy responses by to improve the industry's competitiveness.

The cost of textbooks could be an important contributory factor to the rising costs of education, primarily because of inadequate competition in the production of textbooks, inappropriately high quality standards, costs relating to inefficient distribution, and poor retrieval rates in schools.

Suggestions to improve efficiency and costs in relation to textbooks include making books last longer, encouraging business with other African countries and exchanging material with these countries, and eliminating value-added tax (VAT) on textbooks – which could boost efforts to promote literacy and reduce education costs.

The fragmented procurement of goods and services is another area that should receive attention. There is a need at provincial level to look at the possible integration of individual school orders into bulk orders, and the negotiation of system-wide contracts, which would lower the price of inputs. It has been suggested that education departments negotiate with individual suppliers of goods and services to secure better prices for especially section 21 schools.

The key categories of private (household) costs are textbooks and stationery, uniforms, infrastructure, transport, and fees.

There is no doubt that school fees have been the single biggest contributor to rising education costs for many households, particularly those from high-income categories who have the 'ability to pay'.

Although the poorest fifth of all households pay low fees in absolute terms, this constitutes a high proportion of household income. The very poorest spend on average 2% of income on school fees, whilst the figure for middle- and high-income groups is around 1%.

There is some evidence that the increasing cost of uniforms constitutes a financial burden, especially for poor households. While research on this issue has not been adequate, crude estimates indicate that school uniforms are twice as costly as they would be if the market worked well, and if schools did not specify unnecessarily elaborate uniforms.

In some instances, private costs of education have been exacerbated by families having to provide or fund infrastructure. Some evidence from the Department of Education's media survey suggests substantial parental contributions to infrastructure provision in the absence of government provision.

Survey data suggest that hidden fees amount to about 25% of the official fees, across quintiles. There has been much media attention around such 'hidden fees' for learners. One report claimed, for instance, that a R100 official fee concealed

a hidden fee of some R6,700 when items such as food, transport and uniforms are included.

The government's commitment to equity in the public funding of education has led to a dramatic redistribution of public funds away from previously advantaged to formerly disadvantaged schools. For the former group, it has seen a substantial increase in tuition fees – determined largely by the 'ability and willingness to pay' criteria – especially in some of the self-managing section 21 schools to make up for the deficit in public funding.

For formerly disadvantaged schools, the substantial increase in public funding post-1994 has still not been able to address all the costs of education provision, largely because of the enormous, *apartheid*-inherited backlogs, This has meant that even for the poorer segments of the society, there continues to be substantial private costs relating particularly to uniforms, transport and books.

This analysis has shown that the Department of Education's influence on costs other than personnel costs has been insignificant or in many cases totally absent.

On the infrastructure side, government can contribute by undertaking analyses of the costs of provision, including cost-benefit measures. Moreover, the Department of Education should explore together with the Departments of Public Works and Trade and Industry the potential for the SMME sector to become involved in education infrastructure provision.

On transport, in the rural areas, the government is committed to providing transport to pupils but little has been done so far – this should be prioritised as part of the government's strategy to improve quality of schooling.

School fees have risen sharply in some section 21 school fees, and there is potential for this to spiral out of control, especially if more schools start to equate quality of outcomes with higher cost. The Department is understandably reluctant to adopt an interventionist stance and impose limits on fee increases. However, a much more strategic approach would be to emphasise the efficiency arguments rather than the budgetary considerations. In this respect, much greater emphasis has to be placed on cost-effective analyses of education, particularly with respect to measuring quality of outcomes.

1. INTRODUCTION

Because of the increasing financial constraints on educational investment, developing countries are not only searching for alternative ways of financing education, but they are also paying closer attention to the costs of educational investment.

Decisions about educational investment depend on judgments about the balance between costs and benefits. These judgments in turn are based on a systematic comparison of the economic benefits of education and its opportunity cost, which is measured not only by actual monetary expenditure, but also by the alternative opportunities forgone when scarce resources are invested in education. In developing countries where educational investment is financed by and large from government revenue, the alternative opportunities forgone when a new school is built may be an irrigation project, a fertilizer plant, or agricultural or transport Investment.

Because educational investment involves both social and private opportunity costs, government choices must take into account public or fiscal costs as well as the wider social costs. Thus it is important to specify which concept is relevant to the type of decision that is to be made. Furthermore, it is important to establish the appropriate method of measuring the cost. For many purposes, unit costs are needed, but whereas average cost per pupil or student is relevant for cost comparisons or projections, the marginal or incremental cost of additional students may be more important when choosing whether to expand existing facilities or build new schools. The cost per pupil or student may, indeed, not be the most appropriate way of measuring unit costs. Where dropout or repetition rates are high, the cost per graduate or school completer may be more relevant than average cost per student. Decisions about alternative educational technologies require information on unit costs (such as costs per hour) and a full understanding of the cost implications of alternative technologies (such as radio or television), which requires detailed analysis of fixed and variable costs.

The considerable literature that has accumulated around cost analysis offers alternative definitions and concepts of cost, each relevant to different types of decisions. In addition, different specialists have defined costs in different ways; in particular, many accountants and economists differ in the way they classify costs. As a result, considerable confusion has arisen over the methodology of cost analysis, and in many cases costs have been under-estimated or the cost comparisons are misleading.

Different types of decisions require different measures of cost and different analytical techniques. The techniques of cost-benefit analysis may be appropriate for evaluating the economic profitability of alternative investment projects. Cost-effectiveness analysis, however, is more appropriate for assessing the non-economic effects of education.

Whereas cost-benefit analysis compares the social or private opportunity costs of an investment with the expected monetary benefits or returns, cost-effectiveness analysis is concerned with the outcomes of education that are measurable in non-financial terms. Cost-effective analysis is therefore appropriate for comparing alternative ways of achieving the same result, for example the development of reading or language skills. The most cost-effective technique is the one that produces the desired result at minimum cost or produces the largest gains in achievement for a given cost. Whether educational outcomes are measured in monetary or non-monetary terms, the costs must be measured accurately.

Other types of cost analysis can be used in making educational decisions. For example, if it is necessary to compare costs over time, costs measured in current prices will have to be distinguished from costs measured in real terms. If the goal is to understand the determinants of costs, other types of cost analysis are useful – cost functions can, for example, help to throw light on the way total or average costs change in relation to the size of an institution or system. The question of whether economies of scale are significant in education is important for decisions about the cost implications of expansion or contraction.

Despite this greater emphasis on cost issues, very little is known about the costs of education in South Africa. Although there is good budgetary data on education, such data are often inadequate for a detailed study of costs since they cover expenditures rather than real resource or opportunity costs. Moreover, they often present planned or provisional budget estimates rather than actual expenditure. In addition, there is very little data on private expenditure.

In summary, the data on and analysis of the costs of education in South Africa, even since 1994, are extremely limited. This study makes use of the extremely limited data sets to analyse education prices in terms of both the public and private costs of education. The data allow only for a piece-meal analysis of education costs rather than an integrated, time-series analysis – which suggests that much more research and analysis are required for an understanding of the various dimensions of and the factors influencing education costs in South Africa.

Section 2 examines the public costs of education by focusing primarily on the costs of educators, textbooks, transport and infrastructure. With regards to private costs, section 3 analyses education expenditure as a proportion of total household expenditure, textbooks and stationery, school uniforms, transport, infrastructure and school fees. Section 4 concludes with a summary of the forces influencing costs in education and the role of government, specifically the national Department of Education.

The structure of the schooling system in South Africa in the new democracy was defined in the 1996 South African Schools Act (SASA). This system provides for both public and private (or independent) schools. There are two broad categories of public schools, termed ‘Section 21’ schools and ‘non-Section 21’ schools. Provision is made in SASA for both categories of schools to have governing bodies elected by parents. The governing body is the school’s policymaking

institution which has the power, *inter alia*, to set fees (which have to be approved by the parent body) to augment its public subsidy. Section 21 schools are characterised by the high degree of self-management that has been conferred on them because of their evident capacity. In terms of SASA, these governing bodies can be allocated the following functions: a) maintaining and improving the school's property; b) determining the extra-mural curriculum and subject options in terms of the provincial curriculum policy; and c) purchasing textbooks, educational materials or equipment for the school.

Government' policy aims that all public schools will attain Section 21 status over time. However, at present, there are a large number of schools, mainly in the previously black residential areas, which lack management capacity and appropriate administrative systems and have therefore not opted for this status. These schools continue to remain the primary responsibility of the provincial education departments.

As noted, all public schools, or at least their governing bodies, have the power to determine the level of 'top-up' school fees and to recommend these for approval by the parents of learners at the school. In practice, however, the level of fee setting is determined by the ability and willingness to pay of the community in which the school is located. Section 21 schools have mainly displayed such willingness and ability (and only a small proportion of them at that). Furthermore, there is no legislation in place to limit the level of fees or the magnitude of increase in such fees. The government currently prefers a policy of 'moral suasion' rather than resorting to legislation (*see section 3.6*).

2. PUBLIC COSTS OF EDUCATION

2.1 Personnel Expenditure and Educator Salaries

Delivery of education is one of the most labour-intensive public services. From an estimated R53.1-billion expenditure outcome in 2002/03, about R46bn, or 86.7%, is spent on personnel. While the average salary package of an educator ranges between R78,000 and R97,000, 'take-home' salary (excluding pension and medical aid) averages between R60,000 and R80,000 per annum (IGFR, 2003).

Recent evidence suggests that provincial departments of education are succeeding in curtailing growth in personnel spending in their budgets. Following an agreement between educators' unions and government in 1999 over rationalisation and redeployment, provinces embarked on a strategy to contain personnel spending. The aim was to reduce the share of personnel spending in total education expenditure to at least 85% to ensure that provincial education departments could increase the proportion of non-personnel inputs critical to the effective delivery of education. The 85% benchmark was set as an initial (medium-term) target for the provinces – and should also be seen within the context of the government's broader strategy to reduce its total personnel budget.

Over the last three years, growth in educator salaries has been slightly below inflation. At the same time, education budgets grew at 1.5% in real terms. Combined with moderate decreases in educator numbers mainly due to attrition, this has resulted in a reduction in the share of personnel in education spending from 90.9% in 1999/00 to 86.7% in 2002/03. As the 2003 Medium-Term Expenditure Framework (MTEF) budgets indicate, the downward trend in the share of personnel is set to continue, dropping further to 82.7% by 2005/06 (IGFR, 2003).

However, the rate of decline in the share of personnel expenditure differs as all provinces have contained personnel expenditure, but with varying success. In Limpopo (89.7%), North West (89.6%), KwaZulu-Natal (88.9%) and Eastern Cape (88.6%), the share of personnel is above the national average – despite the fact that these provinces have lower average educator salaries (IGFR, 2003).

On the other hand, although Western Cape and Gauteng have a larger complement of highly qualified educators and therefore on average, pay more per educator, their share of personnel expenditure is among the lowest. This is partly due to the steps these provinces have taken to 'right size' their personnel structure (IGFR, 2003).

In contrast to many developing countries, South Africa appears to be containing increases in educator salaries, the major component in educator costs, at least for the past three years. However, there are some 'hidden costs' not measured in most instances, relating to teacher performance. For instance, the South African

education system is characterised by a high rate of teacher absenteeism. One survey estimates that such absenteeism costs the Eastern Cape education department R59-million a month. Another survey by the auditor general in late 2001 revealed that 17,000 teachers were absent during a headcount (Department of Education Media Survey, 2003).

In general, however, it would appear that since the upsurge in the teacher salary bill in 1996 to attain gender and racial equity, the government, together with their trade union counterparts in the centralised bargaining chamber, has succeeded in exerting a downward influence on the personnel component of the budget.

2.2 Non-personnel expenditure

The physical facilities vital for the creation of a stable teaching and learning environment have been identified as one of the strategic priorities of education. When personnel spending was in excess of 90% of education expenditure, little was left for school infrastructure, construction and maintenance, textbooks and other critical inputs.

One of the consequences of the success in containing personnel costs has been the strong recovery in non-personnel expenditure. In the three years to 2002/03, the upturn in non-personnel expenditure has been largely due to growth in capital expenditure, which mainly comprises the building of schools, the provision of extra classrooms in over-crowded schools and replacing dilapidated buildings.

After rising steadily in 2000/01 and 2001/02, education capital expenditure more than doubled in the three years to 2002/03, increasing from R672m in 2000/01 to an estimated R1.9bn in 2002/03. This raised the share of capital expenditure in education to 3.5% from 1.2% in 1999/2000. Although this expenditure has not yet resulted in the removal of the enormous backlogs in classroom and other infrastructure provision, some progress has undoubtedly been made (IGFR, 2003).

Thus there are strong social imperatives to increase capital expenditure and reduce the historical backlogs in classroom and other infrastructure provision. Although these social imperatives may have a cost-raising influence, it is difficult to determine with any degree of confidence given the absence of data on the costs of infrastructure provision (*see section 2.6*).

In the short to medium term, the main factors behind growth in non-personnel spending in education include other non-personnel non-capital components, such as increased funding for learner support materials.

2.3 Non-personnel non-capital expenditure

In addition to educators, good quality school buildings and other facilities, effective teaching and learning also require various complementary inputs, such as textbooks, stationery and other teaching aids. The slowdown in the rise of personnel expenditure and strong growth in provincial budgets have created space for increases in other non-personnel expenditure.

Total provincial non-personnel non-capital expenditure in 2002/03 increased by 30.9% from 2001/02's R3.9bn to R5.2bn. This includes expenditure at head office and other parts of education administration (IGFR, 2003).

Non-personnel non-capital expenditure on public ordinary schools rose slightly from R210 per learner in 1999/00 to R259 per learner in 2002/03. While this is an improvement, it is still relatively low. It appears that this is one of the components of expenditure that had been squeezed out by the rising share of personnel spending and increases in capital spending in the past (IGFR, 2003).

It is evident that the provinces with low non-personnel non-capital expenditure per learner for the Public Ordinary Schools Education Programme also have low senior certificate pass rates. In 2002/03, these provinces spent on average R155 per learner, as opposed to the average expenditure of R468 per learner in Northern Cape, Gauteng and Western Cape. So there appears to be a relationship between inadequate non-personnel non-capital resourcing and senior certificate results, indicating the need to reinforce this component of education expenditure (IGFR, 2003).

This section mainly described budgetary data which cover expenditure rather than real resource costs. However, this introductory overview is useful as it provides an indication of the trends in personnel versus non-personnel expenditure. It is evident that as far as educator salaries are concerned, increases in the largest component of the education budget are being contained, which suggest that educator salary increases are not a major contributor to rises in the costs of education. This is in contrast to the early years of democracy when the education salary bill rose dramatically as a result of the imperative to ensure gender and racial parity.

2.4 Textbooks

Textbooks constitute a significant factor in education costs. The approach to the pricing of textbooks requires special attention for several reasons. First, textbooks constitute a significant proportion of the state's expenditure on education (currently over R1bn per year). Secondly, textbooks are probably the most important input in promoting learning, and in the third place the textbook market is characterised by a relative lack of competition.

Some interesting information on textbook expenditure and this market can be gleaned from a media survey commissioned by the Department of Education, which noted that the provincial allocation for textbooks was almost R1bn in 2001 and rose by 20% to R1.2bn in 2002. This survey also reported that according to a

Cape Town publisher, it would cost R4.7bn a year to supply one book per subject to each learner, and less per year if books were made to last longer. Moreover, the government spent some R608m on textbooks for non-section 21 schools (schools still under the direct authority of the provincial department of education) in 2001, according to the Publishers' Association of South Africa. This survey also reported that only 50 publishers in South Africa are involved in schoolbook publication, but that the publishing industry was growing in response to the increasing availability of funds for books as the Department of Education increased monetary allocations.

While there has been no systematic analysis of the textbook market, some views suggest that the textbook industry may not be sufficiently competitive, and that it is characterised by too many sole-supplier situations, which prevent the emergence of competitive prices. Higher prices could allow producers to make abnormally high profits, or might simply sustain inefficient production processes. However, more research is required on this subject to inform government policy responses to improve the industry's competitiveness.

It has also been argued that South Africa has excessively expensive textbooks as a result of the quality of paper used and the binding techniques employed. Whilst the consumers who have access to books may appreciate these aspects of the books, the high prices that result make it more difficult for Government to make books more widely available.

There are currently no forces exerting downward pressure on textbook prices, neither from the Department of Education nor from a regulatory authority such as the Competition Commission. The government is of the view that the assistance of business organisations (such as the National Business Initiative) should be sought to encourage greater competition in this sector. In other words, a policy of 'moral suasion' is being mooted rather than a more aggressive one such as a Competition Commission-driven approach to establish a more competitive environment.

Many developing countries at levels of economic development similar to South Africa make do with textbooks of much lower quality paper, printing and binding. It has been estimated that the price of textbooks could be lowered by 20% if lower grade paper were used, formats standardised and bigger print runs introduced. Obviously, the trade-off between quality and the lifespan of books needs to be considered carefully in any drive to reduce prices. Whilst the lifespan of books can be improved through better preservation, certain qualitative aspects of a textbook can also assist in lengthening its lifespan.

Standardisation of formats and bigger print runs imply better and probably national co-ordination in the contracting process. The current fragmented approach, whereby nine provinces – and often individual schools – purchase textbooks in an unco-ordinated fashion provides greater variety but fewer economies of scale, and therefore higher prices (DoE, 2003). Moreover, the fragmented way in which demand for textbooks is currently structured is very conducive to monopolistic and sole-supplier situations. The lead time for the

production of a textbook is long, a fact that has not been adequately taken into account when the roll-out of new learning programmes takes place. The schooling system pays for 'tightness of implementation deadlines' through higher textbook prices (DoE, 2003).

There are also significant opportunity costs attached to the inability to recover textbooks adequately. Provincial departments of education spend hundreds of millions of rand each year in replacing textbooks not recovered from learners; indeed, an investigation launched by the national department in 1999 revealed that most provinces lacked effective retrieval systems and that only 40% to 50% of textbooks were recovered in some schools. It was also estimated that only 1% of learners in Limpopo returned textbooks. About 55% of Mpumalanga's books are retrieved, while the Gauteng Education Department had no mechanisms in place in 2001 to recover the 10% of books that had to be replaced (DoE Media Survey).

The supply of textbooks is further affected by corruption and theft, the challenge of tender awards, inefficient procurement and distribution by inexperienced private companies, and by a lack of co-ordination of provinces' dealings with publishers. In rural provinces, distribution is complicated by the fact that many schools lack storage facilities – in 2000/01 the Department of Education and the National Treasury set up a task team to monitor procurement and distribution of textbooks. A Resources and Information Network, costing R2m and funded by the national Department of Education, was piloted in KwaZulu-Natal in 2001 to improve efficiency and cost-effectiveness. According to the director of the Media in Education Trust, the organisation overseeing the project, 'a lot of money is spent in developing learning materials but the majority of it never reaches the schools' (DoE Media Survey, 2003).

Other problems facing the school textbook industry include the cost of paper, numerous mark-ups in the production process, poor local printing quality and tight government deadlines. Printing in the Far East is cheaper and of better quality, but the short notice of requirements given by departments of education eliminates this option.

Beyond the cost of producing the books themselves, the cost of textbooks includes government spending on approving, procuring and distributing them, and managing their retention. Suggestions to improve efficiency and costs in relation to textbooks include making books last longer, encouraging business with other African countries and exchanging material with these countries, and eliminating value-added tax (VAT) on textbooks. The Print Industries Cluster Council, established in 1999 to promote reading and improve access to printed matter, attempts to facilitate dialogue on these matters between government and the industry. According to a facilitator of the council, competition keeps the price of textbooks low and the quality high. He says 'compared with school uniforms, sporting equipment, classrooms or furniture, textbooks are a bargain,' arguing further that zero rating of VAT on books would boost efforts to promote literacy and reduce education costs. (DoE Survey, 2003)

It was reported in March 2002 that thousands of pupils in Limpopo were not supplied with textbooks due to a lack of funds. R500m was needed to address the backlogs in the provision of textbooks to 1.6-million learners, but only R285m was available as the textbook allocation had to compete with other social development needs. Allegations of fraud were investigated after tons of apparently relevant textbooks and unused answer books were found at a recycling depot in Mpumalanga, allegedly sent there for shredding by the provincial department of education. (DoE Survey, 2003)

It is evident from the preceding analysis that the cost of textbooks could indeed be an important contributory factor to the rising costs of education primarily because of inadequate competition in the production of textbooks, inappropriately high quality standards, costs relating to inefficient distribution, and poor retrieval rates in schools.

2.5 Transport

Transport provision by provincial government departments is limited and little data exists on overall costs. However, some data is available on total expenditure. For instance, R17m was allocated to scholar transport in Gauteng in 2001/02, while the Mpumalanga Department of Education increased the transport allocation for its roughly 400 farm schools by R5m to R13m in 2002 (DoE Survey, 2003).

Financial irregularities, including the loss of R3.6m, were identified in the Western Cape Department of Education's Learner Transport Scheme which provides transport to pupils who live in disadvantaged communities more than five kilometres from their schools. It costs the Western Cape Education Department R60m a year to transport learners in rural areas to school (DoE Survey, 2003).

In summary, while there is an urgent need for school transport, especially in rural areas, budgetary constraints mean most provincial departments of education provide little or no funding in this area. It is thus a negligible factor in the education pricing structure from a public cost perspective. However, the national Education Department is committed to providing transport to school children in rural areas.

2.6 Infrastructure and Capital Equipment

Data is available on infrastructure expenditure (*see section 2.2*) but not on the costs of provision and how these have changed over time. Price information, particularly on the construction of classrooms, by region, would be invaluable in helping to understand this component of the education pricing structure.

Schools, in particular section 21 (self-governing) schools, are often not able to purchase equipment at bulk or wholesale prices, especially if each school only requires a few items. Equipment such as photocopiers, lawnmowers and administration computers are nevertheless purchased by a large number of schools in each district or province, often at the same time of year. With respect

to Section 21 schools, there is a need at provincial level to look at the possible integration of individual school orders into bulk orders, and the negotiation of system-wide contracts, which would lower the price of inputs (DoE, 2003).

It has been suggested that education departments negotiate with individual suppliers of goods and services to secure better prices for schools. An agreement with Eskom is about to be concluded for preferential electricity rates for schools. Similar agreements for preferential rates could be pursued with one or more telephone companies (where there are no fixed lines, many schools depend on the cellular telephone network for communication with the PED) (DoE, 2003). Schools often rent photocopiers at the same rates private firms pay. This fragmented procurement of goods and services is another area that should receive attention.

Where a provincial education department purchases goods on behalf of non-section 21 schools, it is often done at the lowest price, especially where, according to government procurement policy, small, medium and micro-sized enterprises (SMMEs) have to be given special preference. Whilst government must promote SMMEs, it was not intended to be at the cost of poor schools (DoE, 2003). This is a matter that requires much further detailed analysis.

Anecdotal evidence suggests that many schools are not spending sufficient amounts on the maintenance of their buildings with the potential long-term result that capital expenditure on buildings would increase substantially and that it might then be cheaper to close them. Where the pupil profiles of schools had changed from middle income to poor, their income base was severely curtailed and the cost of running and maintaining such schools became unaffordable. It is therefore clear that such under-spending is extremely inefficient.

3. PRIVATE COSTS

3.1 Education Expenditure as a Proportion of Total Household Expenditure

Table 1 shows Stats SA education expenditure figures drawn from the 1995 and 2000 household income and expenditure surveys. The table shows expenditure on education by household income categories. Education expenditure rose by income from 1.0% for the lowest income households to 2.1% for the richest households in 1995. For 2000, the corresponding figures were 1.5% and 3%. For all households, average education expenditure increased from 1.9% to 2.9% during the period.

Table 1: Education Expenditure as a percentage of Total Household Expenditure by Income (rand) Category

IES	0 –6867	6868 - 12659	12660 - 23939	23940 - 52799	> 52800	Total
1995	1.0	1.1	1.4	1.9	2.1	1.9
2000	1.5	1.6	1.8	2.5	3.2	2.9

[Source: Statistics SA]

Figures from Stats SA published in late 2002 showed that average household expenditure on all levels of education in 2000 ranged from between R614.63 in African households to R3,451.32 in white households. Public schooling expenditure was highest among whites at R818.92 and lowest among Africans at R170.95. Whites and Indians also paid more for private tuition and field trips. Expenses incurred not normally regarded as tuition, such as contributions to sports grounds, were greater in white and African than in coloured and Indian households. White households spent most on school, college and university textbooks and on stationery (R133.82 and R79.56 respectively), followed by Indian/Asian households (Stats SA, *Income and Expenditure of Households* 2000).

According to the *Quarterly Review of Education and Training in South Africa* (cited in DoE Survey, 2003), a number of Gauteng communities were in the process of collecting data on issues including the costs of school fees, uniforms, books, transport and the provision of meals in schools, which were analysed by the Education Rights Project (ERP) for presentation at community meetings. The review also noted that households in the Rondebult community spend 49% of their income (R391 out of R800, on average) on education each month.

The article suggested that “at the lower end of the schooling market, it would seem that no one would ever qualify for a school fees exemption” and implied that if the exemptions formula were broadened to include other education-relation costs such as uniforms, transport, textbooks and stationery it might benefit

poorer families more. The report also noted that exemptions were more likely to be granted where learners with low-income parents attended schools that charged high fees, but that such parents in fact did not send their children to such schools and that anyway “these schools conduct formal and informal assessments of the ability of the parents to pay fees before a child is admitted”.

3.2 Textbooks and Stationery

Little information is available on the costs to households of textbooks. Some but not all schools require that parents buy textbooks which are more expensive for senior classes, each costing between R80 and R100. Publishers claim that some schools that manage their own budgets spend money allocated for learning support materials on other items and run out of money for textbooks – section 21 schools are not required to report to the provincial department of education what they have spent on learning support materials and thus succeed in this diversion of funds. Moreover, departments of education cannot directly censure schools that fail to manage their teaching resources adequately.

Most schools that do not provide stationery suggest shops where learners can buy the articles at reasonable prices. In 2002 it was estimated that basic stationery requirements for a grade one pupil cost R140 at local stationery retailer Waltons. These costs rise through the grades, with learners taking mathematics and science often requiring special equipment such as calculators (DoE Survey, 2003).

3.3 School Uniforms

There is some evidence that the increasing cost of uniforms constitutes a financial burden, especially for poor households. Whilst there is little expectation that the state should cover this cost, it is in the interests of the state to ensure that the cost of uniforms is kept as low as possible, while still responding to credible motivations for uniforms. High uniform costs result in an undue financial burden on households and impact negatively on the ability of especially poor households to provide for their children.

Uniform costs vary depending on the supplier and uniform requirements. The system where schools have a special arrangement with a single supplier reduces competition and is problematic for people in rural areas.

There are essentially two factors that potentially contribute to an escalation of school uniform prices. One factor is perhaps relatively easy to influence as it relates to the choices and policies of schools, but the other factor, linked to deeply entrenched traditions, attitudes, values and norms, requires public debate and awareness-raising to influence (DoE, 2003).

Uniforms that are excessively expensive could, in most cases, be replaced by less costly items through an alteration of the specifications and/or the range. The cost of maintaining the uniform should be added to the cost of actually buying it, as the specification of the uniform has a direct impact on the frequency of washing and ironing required.

Often the specifications schools set for their uniforms make it difficult for a variety of suppliers to compete with one another and lower the price. The specifications may include specialised items, such as school emblems, that make it costly for every supplier in an area to satisfy the demands made by each school in the area. Often the specialisation is such that it becomes impossible for the 'cottage industry' to satisfy the demand (DoE, 2003), which leads to a one-supplier situation that raises prices. In addition, there are possibly illegal factors that influence uniform supply. There have been accounts of school principals receiving 'kick-backs' in exchange for insisting that the school uniform may only be purchased from a particular supplier.

While research on this issue has not been adequate, crude estimates indicate that school uniforms are twice as costly as they would be if the market worked well, and if schools did not specify unnecessarily elaborate uniforms. The cost of equipping a learner with a uniform is anywhere between R700 and R2,000. This places a huge financial burden on low-income households (DoE, 2003).

Media survey evidence shows great disparities in uniform prices. One estimate showed that it would cost R520.99 to dress a grade one girl and R447.95 for a grade one boy. Costs for a grade eight girl are R1,118.98 and a grade eight boy R1,352.98. These estimates are for one of each item only. Costs rise sharply where a uniform is specific to a school and has unique badges and colours. Furthermore, it costs R357.00 to outfit a boy at primary level in a generic uniform compared to R710.00 for a unique uniform. The difference at secondary level is more marked where the estimate for a boy's generic uniform is R468.00 compared to R 1,187.00 for a unique uniform.

The Department of Education (DoE, 2003) has suggested that solutions can be broken down into short-term and long-term solutions.

In the short term, the national and provincial departments of education need to ensure that monopolisation of uniforms by local suppliers is broken. The easiest way to do this would be to insist through policy that all uniform specifications determined by schools should allow parents to buy the items in a competitive market, or to produce the items at home with minimal specialisation. In other words, schools would be allowed to continue to maintain fairly 'classical' school uniforms if they so wished, but the clothing would have to be available at competitive prices and should be relatively easy to produce at home. Some standardisation could be brought about, for instance to eliminate costly transitions from primary schools to secondary schools. This seems feasible, though the impact of the solution depends on factors such as: (1) how many schools currently make use of sole supplier uniforms; (2) how responsive the market can be expected to be to a narrower range of specifications, yet a situation in which much variation from one school to another would continue, and (3) how resistant schools with sole-supplier uniforms would be to change (DoE, 2003).

Long-term considerations should begin to influence current work where the possible introduction of an inexpensive standard uniform is concerned. Other

developing countries use a simple and standard national school uniform to make it easier for the poor to clothe their children. Experiences in such countries should begin to inform the debate in South Africa where standardisation could occur nationally or provincially.

3.4 Transport

Most schools do not include transport in their fee structures so it remains the responsibility of parents to find and organise it. These costs can be considerable in both rural areas (because of distances) and in urban areas – especially in the townships because of the large proportion of parents who choose to send their children to better quality schools in the cities and suburbs. One estimate suggested that a taxi costs between R200 and R400 a month. In early 2002, transport was estimated at R1,200 a year for a middle-class child (DoE Survey, 2003).

Transport costs in particular were believed to have had an impact on the dwindling numbers of students at the Christian Brothers College in Green Point, an independent school facing closure in 2000. According to testimony to the Education Rights Project, a mother living in Durban Roodepoort Deep paid R150 a year in fees for a school in Dobsonville, but R120 a month for door-to-door transport. Some parents who could not afford the cost of transport had simply given up on their children being educated (DoE Survey, 2003).

3.5 Infrastructure

In some instances private costs of education have been exacerbated by families having to provide or fund infrastructure. There is some evidence from the Department of Education's media survey that suggests substantial parental contributions to infrastructure provision in the absence of government provision. School children, parents and teachers in Malalane, Mpumalanga, built their own high school with donated wood and tin after waiting more than two years for the government to fulfil its promises to build another high school in the area (previously children from eight primary schools had fed into one high school). An unregistered school established by the Vlakfontein community and operating out of a container was awaiting the outcome of the requisite 'planning and feasibility' studies by the department to determine whether a public school should be built. Residents of Upper Culunca gave up on waiting for the Eastern Cape education department to build classrooms and did so themselves by raising R20,000 to build five classrooms over two-and-a-half years. A primary school in Grassy Park sold newspapers to fund the building of a laboratory for computers which were donated to it.

3.6 School Fees

There is no doubt that school fees have been the single biggest contributor to rising education costs for many households, particularly those from high-income categories who have the 'ability to pay'. Data from both Department of Education and Stats SA surveys confirm this. Parents in income quintile five pay

considerably more than in any other quintile. Mean annual school fees paid per learner in quintile five were between R300 and R2,700 in 2000. In the other quintiles, fees paid are much lower. In quintiles one and two and nearly all of three, they rarely exceeded R100.

However, there is substantial variation in fees paid within the high quintiles. Although many households pay very high fees, a substantial number of households in quintiles four and five pay less than R100 per year. This suggests that household income is not the only determinant of the level of fees paid. Parental choice is another strong determinant (DoE, 2003). In quintile five in particular, parents, because of their high capacity to pay fees, are faced with the option of paying more than a basic amount in fees to reduce the learner-educator ratio through the private employment of educators. A second factor influencing high school fees in some quintile five schools is the choice to continue using capital infrastructure and equipment left from the apartheid years, such as swimming schools and sports pavilions, which carry high maintenance costs. It should be emphasised that this is largely a matter of choice. On the other hand, there are also many high-income earners who choose not to raise fees to pay for these things.

The 2001 Systemic Evaluation (Department of Education) data indicates what schools actually charged in fees. It also gives an indication of what is actually paid on average for each learner. The following table summarises the Systemic Evaluation (SE) and Income and Expenditure Survey (IES) data.

Table 2: Fees charged and fees paid (in 2001 rand)

	Fees charged per learner	**Fees paid per learner**	
	SE	**SE**	**IES**
Q1	83	18	49
Q2	64	35	63
Q3	85	49	89
Q4	124	69	192
Q5	2494	1720	986

[Sources: DoE; Stats SA]

In terms of fees actually paid, the IES provides higher values than the SE for quintiles one to four, and lower values for quintile four. Lower values in the SE are to be expected as this survey covered only Grade three learners, and fees are higher in the secondary grades (DoE, 2003). The quintile five figure is therefore unexpected. The values in the table all confirm the pattern that fees in quintile five are significantly higher than in any other quintile.

Overall, fees in 2002 contributed some R3.5bn to R5bn to schooling, depending on what data is used and whether 'hidden fees' (*see below*) are factored in. This means that some 8% to 11% of all expenditure on public schools is from private sources. However, as stated earlier, private contributions are concentrated within

quintile five, where possibly as much as 35% of total expenditure on public schooling is from fees. In the three poorest quintiles, fees contribute between 0.5% and 2.5% to total expenditure.

Although the poorest fifth of all households pay low fees of around R50 per year in absolute terms, this constitutes a high proportion of household income. The very poorest spend, on average, 2% of income on school fees, whilst the figure for middle- and high-income groups is around 1%.

The term 'hidden fees' is used to refer to schools' demands for parents to make monetary or in-kind contributions over and above the officially determined school fee. Schools sometimes demand that parents contribute additional fees to cover excursions or classes requiring expensive equipment like computers. It is common for schools to demand that parents buy stationery and textbooks for use in the classroom, or raw materials like cardboard and paint needed for school projects.

Stats SA's 2000 Income and Expenditure Survey suggests that hidden fees amount to about 25% of the official fees, across quintiles. Two important points need to be noted about these statistics. First, because hidden fees generally constitute intermittent items that are demanded in a piece-meal fashion throughout the year, there would be a tendency for these inputs to be under-stated. Respondents in the survey simply do not remember all the items, though they are fairly likely to remember what the official school fee is (DoE, 2003).

Secondly, these statistics represent what households actually provide, not what the school demands. The school may in fact demand a lot more than what is provided – such a situation makes it likely that learners end up doing without certain items in the classroom (DoE, 2003).

Much media attention has been focused on what the 'hidden fees' for learners amount to. One report claimed, for instance, that a R100 official fee concealed a hidden fee of some R6,700 when items such as food, transport and uniforms are included (DoE Survey).

The Department of Education's media survey also suggested that fees at some schools have increased by up to 10 times since they were instituted at former model-C schools. One newspaper article quoted a senior Department of Education official as saying that the price of education has risen because of an insistence on uniforms, transport costs to schools away from where people live, vandalism, the poor retrieval of textbooks, schools charging more to provide state-employed educators with perks and an attitude that cost is a marker of quality.

Efforts by the Department to encourage schools not to raise their fees were said to have been ineffective in 2001. One report singled out a decrease in government subsidies as the reason behind fee increases – it cited a school which claiming that its subsidy was not sufficient to cover its lights and water bill. In 2001, fees at schools in the Free State and Northern Cape rose by 10%, and these schools instituted a book tariff over and above the fee in that year.

Fees vary widely across the provinces and across types of schools, determined by the school's situation, class size and facilities. In 2001, a good school in Zondi, Soweto, cost R100 a year in fees but R6,700 after costs for uniforms, stationery, food, transport, extramural activities and transport were included. A suburban school in the east of Johannesburg charged fees of R6,950 which grew to R15,480 after the addition of other necessary education costs; and an independent school in the northern suburbs of Johannesburg charged R30,486 in fees but costs totalled R41,000 when required educational inputs were included. At the school in Soweto the government paid 29 teachers, provided textbooks and stationery and maintained the grounds and building; the school provided study and examination materials, and paid membership to a sporting body and for two security guards. The government paid 30 teachers at the public suburban school, while the school paid for 25 more teachers, administrative staff, maintenance and security. The independent school received no subsidy from the government.

In late 2001, township schools were said to charge between R100 and R500 a year while suburban schools charged R300 to R1,000 a month. In the Western Cape, annual primary school fees ranged from R50 at Vuyani Primary in Gugulethu to R500 at Garlandale Primary (Athlone), R3,600 at Sea Point Primary and R5,620 at Grove Primary (Claremont). High school fees ranged from R130 at Vuyiseka High (Philippi) to R1,200 at Livingstone High (Claremont), R6,800 at Camps Bay High and R9,600 at Wynberg Boys High. Primary schooling at Reddam House (Tokai), an independent school, cost R14,180 to R21,165 while secondary schooling cost R28,220 a year (DoE Survey, 2003).

Cost of Independent Schooling

Parents with children at independent schools also felt the pressure of inflation on school fees in 2001. Education costs were said to have risen far above inflation at private schools in particular. Independent school fees were set to increase by 10% in 2002. A founding director of the Crawford Group of Schools said that there was no set formula according to which fees were determined, but that they were kept "market related, in line with what other private schools are asking". It was reported that uniforms, textbooks and extramural activities would cost parents an additional R2,000 over and above fees (DoE Survey, 2003).

Independent schools vary significantly, charging fees from R5,000 to R30,000 a year in 2001, though another source suggested a variation of between R30,000 and R60,000 a year. In 2002, grade one at Crawford College cost R11,000. Hilton College outside Pietermaritzburg cost R62,000 a year including meals and boarding, and was the most expensive school in the country in 2001.

A number of articles also reported the pending closure of independent schools struggling for funding. Independent schools in Orange Farm, Gauteng, complained that their subsidies had been reduced, paid late or not received at all – the flux in their learner numbers as people moved in and out of the informal settlements resulted in their being underpaid (DoE Survey, 2003).

4. CONCLUDING SUMMARY

In South Africa very little is known about the costs of education. Although good budgetary data exists, such data is often inadequate for a detailed study of costs since it covers expenditures rather than real resource or opportunity costs. Moreover, it often presents planned or provisional budget estimates rather than actual expenditure. In addition, there is very little data on private expenditure.

Moreover, few conclusions can be drawn from the Consumer Price Index (CPI), both because education comprises only a small proportion (3.38%) of the 'household basket of goods and services' and most of this (3.33% points) is for tuition and attendance fees, including higher education.

In addition, the South African education system is characterised by the absence of adequate knowledge about schooling outcomes. Undue emphasis has been placed historically on the matriculation pass rate and very little on cost-effective analyses to determine outcomes of education in non-financial terms (such as literacy and numeracy levels).

Public Costs of Education

Four sets of cost items are key to obtaining an understanding of public costs in the schooling system: personnel expenditure, textbooks, pupil transport, and infrastructure and capital equipment.

Recent evidence suggests that provincial departments of education are succeeding in curtailing growth in personnel spending in their budgets.

The cost of textbooks could indeed be an important contributory factor to the rising costs of education, primarily because of inadequate competition in the production of textbooks, inappropriately high quality standards, costs relating to inefficient distribution and poor retrieval rates in schools.

While there is an urgent need for school transport especially in rural areas, given budgetary constraints, most provincial departments of education provide little or no funding in this area. It is thus a negligible factor in the education pricing structure from a public cost perspective.

Data is available on infrastructure expenditure but not on the costs of provision and how these have been changing over time. Price information, particularly on the construction of classrooms, by region, would be invaluable in helping to understand this component of the education pricing structure.

With respect to capital equipment in schools, the limited evidence suggests that greater savings could be attained in co-ordinated efforts by section 21 schools to purchase capital equipment and to negotiate preferential rates in the provision of services from the major utilities.

Private Costs

The key categories of private (household) costs are textbooks and stationery, uniforms, infrastructure, transport, and fees.

Little information is available on the costs to households of textbooks. Some but not all schools require that parents buy textbooks which are more expensive for senior classes.

There is some evidence that the increasing cost of uniforms is constituting a financial burden especially for poor households. While research on this issue has not been adequate, crude estimates indicate that school uniforms are twice as costly as they would be if the market worked well, and if schools did not specify unnecessarily elaborate uniforms.

Most schools do not include transport in their fee structures so it remains the responsibility of parents to fund this. These costs can be considerable in both rural areas (because of distances) and in urban areas, especially in the previously black townships, because of the large proportion of parents who choose to send their children to better quality schools in the cities and suburbs.

In some instances, private costs of education have been exacerbated by families having to provide or fund infrastructure. There is some evidence drawn from the DoE media survey that suggest substantial parental contributions to infrastructure provision in the absence of government provision.

There is no doubt that school fees have been the single biggest contributor to rising education costs for many households particularly those from high-income categories who have the ‘ability to pay’.

Overall, fees in 2002 contributed some R3.5bn to R5bn to schooling, depending on what data is used and whether ‘hidden fees’ are factored in. This means that some 8% to 11% of all expenditure on public schools is from private sources.

Although the poorest fifth of all households pay low fees in absolute terms, of around R50 per year, this constitutes a high proportion of household income. The very poorest spend on average 2% of income on school fees, whilst the figure for middle- and high-income groups is around 1%.

Survey data suggest that hidden fees amount to about 25% of the official fees, across quintiles. There has been much media attention around what the ‘hidden fees’ for learners amount to. One report claimed, for instance, that a R100 official fee concealed a hidden fee of some R6700 when items such as food, transport and uniforms are included.

What the limited data on education costs reveal can be summarised as follows:

a) With respect to the public costs of education, it is evident that the major cost drivers relate to textbook and infrastructure provision (although the evidence is less conclusive on the latter).

b) The government's commitment to equity in the public funding of education has led to a dramatic redistribution of public funds away from previously advantaged schools (mainly white, middle class) to formerly disadvantaged schools (mainly black, low income). The consequences of the strategy have been two-fold. For the former group, it has seen a substantial increase in tuition fees, especially in some of the self-managing section 21 schools to make up for the deficit in public funding. As stated earlier, the magnitude of these increases has been determined largely by the 'ability and willingness to pay' criteria. However, there is no evidence to suggest that fees oscillate. Rather, they appear to be on a consistently increasing trend with the only limiting factor appearing to be the school community's willingness to pay.

c) For formerly disadvantaged schools, the substantial increase in public funding post-1994 has still not been able to address all the costs of education provision, largely because of the enormous, apartheid-inherited backlogs, especially in the provision of infrastructure, textbooks and other learning materials. This has meant that even for the poorer segments of the society, there have been and continue to be substantial private costs relating particularly to uniforms, transport and books.

Table 3 summarises the various public and private cost items, the trend of pricing pressures (upward, downward, neutral), the role of government in influencing prices and the degree of this influence, and the role of other institutions.

With respect to public costs, significant downward pressure has been exerted on personnel costs. The main role players here have been government and the trade unions in the education sector. Secondly, little is known about the costs of infrastructure provision and so far government has played only a limited role in influencing prices in that sector. Prices are primarily a function of market structures and other conditions prevailing in the construction industry. Thirdly, there is little doubt that there is significant upward pressure on textbook prices. However, government appears to be reluctant to play an active role either in limiting price increases or in creating the conditions for greater competition. The major role players are the publishers who are benefiting from oligopolistic conditions.

Table 3: Forces Influencing Education Costs in South Africa

	Role of Government	Other Institutions
Public Costs		
1. Personnel ↓	3	**Trade Unions 3**
2. Infrastructure ↔	1	**Construction Industry 3**
3. Textbooks ↑	1	**Publishers 3**
Private Costs		
4. Textbooks ↑	1	
5. Uniforms ↑	2	**Suppliers 3**
6. Transport ↑	1	Private Providers 3
7. Infrastructure Provision ↔	1	
8. Fees		
a. (Small) proportion of Section 21 schools ↑	1	Governing Bodies & Parents 3
b. Rest of Section 21 schools plus non-Section 21 schools ↓	1	Governing Bodies & Principals 3

Notes:

↑ **= upward pressure**

↓ **= downward pressure**

↔ **= neutral or little/no information**

1 = no influence
2 = moderate influence
3 = substantial influence

Arrow indicates trend only, not magnitude of trend

On the side of private costs, for a relatively small group of Section 21 public schools 'top-up' fees have risen sharply and consistently. The government has

neither attempted to put a 'cap' on such increases nor has it provided any incentives for these schools to become more efficient, especially in terms of their outputs and outcomes. In the absence of an active role on the part of government, these schools' governing bodies have managed to convince their communities that higher costs translates into better quality education. The rest of the public schooling sector, namely many section 21 schools and non-section 21 schools, have kept fees at relatively low levels and these have probably declined in real terms. The reasons for this situation include the poor socio-economic status of many communities in which these schools are located (non-section 21 schools mainly) and a general reluctance on the part of parents to contribute to school fees (mainly section 21 schools in lower-middle and middle income areas). The government has had little success thus far in persuading these communities to make more significant contributions to the schooling of their children. As part of this effort, provincial departments of education are undertaking training programmes for self-governing bodies on fund-raising and school financial management.

For all communities, there is evidence that prices are rising significantly for uniforms and school transport. The government has now devised a strategy to dampen costs in the provision of uniforms by proposing the setting of provincial standards, which will hopefully reduce the wide range of uniforms that need to be produced, and hence lower costs. With respect to transport, private costs, especially in urban areas are rising sharply – partly because of an inadequate public transport system and partly because of the distances pupils have to travel to good schools, especially those learners from the previously black townships.

The analysis has shown that the Department of Education's influence on costs has been insignificant or in many cases totally absent other than on personnel costs. Anecdotal and the limited empirical evidence suggest that some government intervention (of varying intensity) is required in each of the following sectors: textbooks, infrastructure, uniforms, transport, and fees, to limit the increase, particularly of the so-called hidden costs on households. In the textbook sector, active steps are needed to introduce greater competition, to lower costs, and to improve distribution and retrieval rates.

On the infrastructure side, government can contribute by undertaking analyses of the costs of provision, including cost-benefit measures. Moreover, the Department of Education should explore together with the Departments of Public Works and Trade and Industry the potential for the SMME sector to become involved in education infrastructure provision. With regard to uniforms, as noted, the government has commenced the process to control costs but much more work will be needed on its part, especially to implement its policy to stop the spiralling costs of this item.

On transport, in the rural areas, the government is committed to providing transport to pupils but little has been done so far – this should be prioritised as part of the government's strategy to improve quality of schooling. In the urban areas, the Department should investigate together with the Department of Transport and private providers how costs could be lowered. For example, such

role-players should investigate how a portion of bus subsidies currently being provided by the Department of Transport could be diverted to school pupils.

As noted, school fees have risen sharply in some section 21 school fees, albeit a small minority at this stage. However, there is potential for this to spiral out of control, especially if more schools start to equate quality of outcomes with higher cost. The Department is understandably reluctant to adopt an interventionist stance and impose limits on fee increases. However, a much more strategic approach would be to emphasise the efficiency arguments rather than the budgetary considerations. In this respect, much greater emphasis has to be placed on cost-effective analyses of education, particularly with respect to measuring quality of outcomes. The Department of Education commendably, has started this process with its Systemic Evaluation of Grade three learners in 2001. But this aspect of the government's work needs to be accelerated and expanded as part of the process of increasing the internal efficiency of schooling and reversing the current widespread notion that more money and higher costs of provision represent the route to better education.

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