

Lingnan University's Response to the UGC Report on High Education in  
Hong Kong — Submission to Legco Panel on Education

The twelve recommendations in the UGC Report are solid and sound but Lingnan University would object strongly to the Credit Accumulation and Transfer System (CATS) proposal in Appendix E of the Report, which is in contradiction to the spirit of the main text of the Report. Our strong objection is not based on Lingnan's self interest but on its adverse impact on the quality of high education in Hong Kong in general.

What CATS Actually Is

The Administration and the UGC seem to have conveyed some misleading messages to the public in the following:

1. Despite denials, the CATS proposal is a truly voucher, "money-follow-student" system. The government subsidy will follow the student in choosing institutions and courses. The proposal actually goes beyond the voucher system as practised in the basic education sectors in other places, which usually has these features:
  - (a) The parents (not students) make decisions.
  - (b) Choice is confined to schools (not courses) and can usually be exercised only once when entering a particular level of schooling.

Thus, the CATS proposal is a super voucher system because it applies to also the choice of courses, giving the voucher a much higher degree of divisibility than the usual voucher system. The proposal reduces to the fact that the popularity of individual courses is the only or at least the major indicator used to measure teaching performance.

2. The CATS proposal is not, as claimed by the UGC and the Administration, in line with the global trend in the higher education sector. Indeed, a voucher system in the higher education sector has never been put in place in any part of the world. The often-cited example of the University of Wales System is not comparable. In the Welsh experiment, the branding effect was minimal because all campuses of the University of Wales are under one umbrella which issues the degree certificates. A major purpose of the experiment is actually to facilitate continuing education and “sandwich” students who alternate work and study. Also, a very cautious step-by-step approach over a relatively long time-frame is taken. The case of the United States is entirely different. There are a large number of both private and state-funded institutions. There is no such central funding body as the UGC which monitors institutions closely including setting student numbers for each institution. Even in the United States, transfer of credits and institutions is subject to many limitations and restrictions. In Australia, the U.K. and Europe where the funding system is similar to Hong Kong, nothing close to CATS is in place. In Australia, a voucher system for higher education was rejected two times (1987, 1997).

Even in the school sectors where the voucher system has been practiced, the results were far from being satisfactory. In most cases, it was found that market-based reforms in the school sectors had produced negative effects on the quality of education.

3. The focus of the CATS proposal is on the transfer of home-based institutions and not, as claimed, on credit transfer and accumulation. Credit transfer, of course, requires the mutual consent of institutions but in the case of transfer of institutions, the home institution is obliged to give its consent in the CATS proposal.
4. The CATS proposal is made on the misconceived assumption that the higher education sector in Hong Kong is broke and therefore required to undergo drastic market-driven reforms. This is not the case as testified by what is said in Chapter One of the Report. It is usually believed that the Hong Kong higher education sector has not performed well in terms of the quality of students produced and

research output generated despite the relatively large government expenditure directed to the sector. This belief can only be based on an ignorance of the development of higher education in Hong Kong.

First, it is not fair to compare the quality of university graduates in the 1960s (when only 1% of the relevant age group went to university) with today's graduates who account for 18% of the relevant age group. I am sure today's top 1% graduates are comparable to graduates in the 1960s if not better. It is paramount for us to understand that the performance of a university should be judged by the value added it gives to its students rather than the final quality of its graduates. If the students are not properly prepared before admission, it is not possible for the university to completely transform the students within a three-year period.

Second, universities in Hong Kong have gone a long way in improving their research performance, as demonstrated for example by the comments made by the external assessors serving the Research Grants Council. We must also understand that such drastic progress has been made despite the limited funding available in support of research in Hong Kong. The per annum research funding of a single department in a world-class university in the United States is often more than the funding available for all institutions in Hong Kong. The ratio of Hong Kong's R & D expenditure as a percentage of GDP (0.48 in 1999) was much lower than the Mainland's (0.83) not to mention the much higher figures in other Asian industrialised economies.

5. It is also a misperception that there is little cooperation among institutions in Hong Kong. Actually, the HUCOM (Heads of Universities Committee) has been functioning well. Institutions do share resources and engage in various forms of cooperation, e.g. credit transfer and development of joint degrees. The obstacles to credit transfer are largely related to time-tabling and transportation. What the institutions do not endorse about the CATS is its "money-follow-student" funding aspect and not credit transfer and accumulation itself. It is also a misconception that it is a waste of resources for institutions to mount similar courses. What makes

university education valuable is the diversity of thinking and approaches. Similar courses can certainly be taught differently, MBA courses can be founded on different concepts and philosophies. It is diversity which we cherish in higher education for the sake of human progress. It is only in frontier scientific research that we have to apply the critical mass principle in specialization and pooling resources.

### The Serious Consequences of Implementing CATS

The quality of higher education will deteriorate because of the following:

1. The quality and scope of courses offered will be adversely affected. This is because the education sector is subject to market failure inasmuch as education is not an ordinary consumer good. There is a lack of information in judging the quality of education. First, there is no “repeated experience” for higher education. A student cannot try out all courses and institutions before making up his/her mind. Second, institutions do not grant warranty to the education they provide as in the case of durable goods. Third, “word-of-mouth” information from past students is biased because no one would belittle one’s alma mater. As a result, students unlike ordinary consumers are unable to have perfect knowledge and understanding of the programmes, or perfect foresight of what best suits their interests and careers, and what the society needs in the long run before they make an informed choice. Under such circumstances, the students or parents, as rational human beings responding to market forces, have no alternatives but to make the choices based on (1) their perception of brand names, and (2) how easy and practical the courses are.

Students are making rational market decisions and yet being blamed for mis-behaviour because the proponents of CATS want also to dictate the outcome of market forces. Now, the UGC and the Administration are talking about imposing tight rules to prevent (1) institutions from loosening control over quality and offering only

popular courses, and (2) students from choosing easy and practical courses in brand-name institutions. This means that CATS starts with market-driven reforms and ends with anti-market measures. Is this a paradox or an absurdity? An analogy is that the rulers of an ineffective, centrally planned economy accusing their people of lethargy instead of reflecting on the unsatisfactory planning system itself.

There are also preconditions for competition to be effective. In Hong Kong, the branding effect is so deeply rooted and prominent. A level playing field, which is essential for fair competition, is simply absent. How can then greater efficiency be achieved by subjecting education to free market forces? One conclusion of an important study is that “any significant use of market-based reforms would require the use of additional strategies designed to address the problems of the schools that cannot compete effectively in the market environment”. (Helen Ladd, “Market-Based Reforms in Urban Education”, Duke University, February 2001).

2. The value of higher education will drop for the fact that the education received by the students will be interrupted by changing home-based institutions and courses. Even similar programmes in different institutions often have their own underlying objectives and philosophies. University education, in contrast to continuing education, is certainly more than taking courses and passing examinations. It is a process of co-production through which interactions between instructors and students in a specific campus environment are of utmost importance. The free transfer of home-based institution will inevitably result in a reduced period of study in the graduating institution, thus affecting the identity, loyalty and sense of belonging of students, the teaching and learning effectiveness, as well as the tradition and ethos of the institution. Students should of course be allowed to change institutions under certain circumstances. The UGC and institutions have reached a 1993 Agreement under which permission for students to transfer from a non-degree to a degree programme or from one discipline to another is at the discretion of institutions. But transfer of students in similar programmes or worse repeating a year in similar

programmes should be restricted.

Lingnan University considers that CATS has been proposed on the basis of misunderstanding and misconceptions of the higher education sector in Hong Kong and an oversight of the economics of the higher education market. Its implementation will not address the “problems” that the UGC and the Administration have in mind but will only lead to disastrous results in the higher education sector of Hong Kong.