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Legislative Council

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Panel on Education

Minutes of special meeting
held on Tuesday, 9 December 2003 at 4:30 pm
in Conference Room A of the Legislative Council Building

Members present	:	Hon YEUNG Yiu-chung, BBS (Chairman) Dr Hon YEUNG Sum (Deputy Chairman) Hon Cyd HO Sau-lan Hon CHEUNG Man-kwong Hon Jasper TSANG Yok-sing, GBS, JP Hon Emily LAU Wai-hing, JP Hon SZETO Wah Hon Tommy CHEUNG Yu-yan, JP Hon WONG Sing-chi Hon MA Fung-kwok, JP
Members absent	:	Dr Hon David CHU Yu-lin, JP Hon LEUNG Yiu-chung Hon SIN Chung-kai Dr Hon LO Wing-lok, JP Hon Audrey EU Yuet-mee, SC, JP
Public Officers attending	:	Professor Arthur LI, GBS, JP Secretary for Education and Manpower Mr Michael Stone, JP Secretary-General University Grants Committee

Ms Irene YOUNG
Principal Assistant Secretary for Education and Manpower (Higher Education)

Clerk in attendance : Ms Doris CHAN
Chief Assistant Secretary (2)2

Staff in attendance : Mr Stanley MA
Senior Assistant Secretary (2)6

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I. University Grants Committee - Funding for 2004/2005

The Chairman informed the meeting that the Administration intended to submit the funding proposal on the subject to the Finance Committee for consideration at its meeting on 19 December 2003.

2. At the invitation of the Chairman, Secretary for Education and Manpower (SEM) briefed members on the Administration's funding proposal for the University Grants Committee (UGC) sector for the 2004-05 roll over year. He explained that as the recommendation arising from the Higher Education Review entailed considerable changes to existing systems and took time to implement, the Administration decided that the 2001-02 to 2003-04 triennium should "roll over" for one year to cover the 2004-05 academic year. As a result, the new triennium would be postponed to 2005-06 to 2007-08.

3. SEM further said that the proposed total recurrent grants to UGC-funded institutions in 2004-05 would be $10,657.8 million, which was around $1,590 million below the recurrent grants of around $12,250 million for the 2003-04 academic year. To assist UGC-funded institutions in diversifying their funding sources, the Administration had established a $1 billion Matching Grant Scheme (the Scheme) to provide dollar-for-dollar matching grants for private donations secured by the institutions. As a result, a total of $2 billion one-off additional resources was made available to the UGC sector, as compared to the efficiency savings of about $1.1 billion year-on-year that the UGC sector was required to deliver in 2004-05.

Increase in university tuition fees

4. Mr CHEUNG Man-kwong asked whether tuition fees of UGC-funded tertiary institution would be increased in the 2004-05 academic year. He pointed out that although the indicative tuition fees would remain unchanged for the 2004-05 academic year, some university heads had said that UGC-funded institutions could or would have to increase tuition fees above the indicative

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tuition fees for UGC-funded programmes in order to meet the shortfall in budget funding. In addition, when planning for the 2001-02 to 2003-04 triennium, the Administration had indicated that there was merit in taking into account the different student unit costs of different levels in determining funding for the UGC sector. Mr CHEUNG requested the Administration to clarify whether UGC-funded institutions should adhere to the indicative tuition fees, or were allowed to increase tuition fees or adopt differential fees for different programmes in the face of the funding cuts.

5. SEM clarified that the Administration did not propose to change the indicative tuition fees for UGC-funded programmes, and had not suggested that UGC-funded institutions should increase tuition fees or to adopt differential fees for different programmes. He, however, pointed out that individual institutions had the autonomy to follow the indicative tuition fees or set their tuition fees above or below the indicative levels. He added that the Administration had indicated that the tuition fee for non-local students could be higher than that for local students enrolled in the same UGC-funded programmes, and should in no circumstance be lower than that for the local students.

6. Mr CHEUNG Man-kwong asked whether UGC would allow institutions to increase tuition fees for UGC-funded programmes and retain the additional tuition fee income.

7. Secretary General, UGC (SG(UGC)) responded that although UGC-funded institutions had the autonomy to set the tuition fees for their UGC-funded programmes, institutions had hitherto followed the indicative tuition fees closely. He pointed out that if institutions charge higher than the indicative tuition fees or differential fees, the question of how to provide financial assistance to needy students subject to different fees would have to be addressed. He added that institutions could set higher tuition fees for non-local students in UGC-funded and self-financing programmes.

8. Mr CHEUNG Man-kwong cautioned that the proposed funding cuts for UGC-funded institutions in 2004-05 had already stirred up an atmosphere of uncertainty and dissatisfaction within the university campuses and as a result, students had recently threatened to boycott classes. While funding support for the new triennium had yet to be decided, it was inappropriate for heads of institutions, UGC or the Administration to indicate a possibility of increasing university tuition fees. He urged the Administration to clarify its stance with heads of institutions to prevent student movements against a possible increase of tuition fees.

9. SEM responded that the Administration had been affirmative that university tuition fees should remain unchanged for the 2004-05 academic year, as the Administration did not see sufficient justification to increase tuition fees. However, it was too early to comment on the tuition fees for the 2005-08

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triennium as the education budget for the triennium had not yet been decided.

10. Dr YEUNG Sum expressed appreciation that the Administration did not have a policy to encourage institutions to increase tuition fees or adopt differential fees which were recently suggested by some university heads and professors as an alternative to meet the shortfall in budget allocation. He stressed that the Democratic Party opposed increase of tuition fees or adoption of differential fees for UGC-funded programmes. He pointed out that the subvented UGC-funded programmes had assisted the lower income groups to acquire higher education and contributed to social integration and social mobility in Hong Kong since the Seventies.

Tuition fees for non-local students

11. Dr YEUNG Sum asked whether the Administration would consider an adjustment of the current 4% maximum in recruitment of non-local students without reducing the number of places for local students in UGC-funded institutions.

12. SEM responded that UGC-funded institutions were allowed to recruit non-local and taught post-graduate students up to 4% of the publicly funded places, and another 4% using private funding without affecting the number of places for local students in publicly-funded programmes. He added that institutions had the autonomy to set higher levels of tuition fees for non-local students.

13. Mr Tommy CHEUNG agreed that non-local students should pay higher tuition fees than local students in order to allow institutions to recover a reasonable percentage of the costs of the UGC-funded programmes concerned. He asked whether the Administration would set out the indicative tuition fees for non-local students for institutions to follow. He expressed support for the policy allowing a 4% allowance in enrolment of non-local students as participation of non-local students would stimulate competition and enhance the learning atmosphere within the university campuses.

14. SEM responded that the Administration considered that indicative tuition fees of at least some $60,000 per annum for non-local students enrolled in UGC-funded degree and above programmes would be reasonable. He agreed that the institutions should set tuition fees for non-local students at appropriate levels that would balance the interests of local and non-local students.

Methodology in calculating the total recurrent funding

15. The Chairman referred to paragraph 10 of the Administration's paper and asked when the Administration would have the necessary resources to explore the merits of applying the student unit costs of different levels of studies in the

determination of recurrent funding for the UGC sector.

16. SEM responded that with effect from the 2004-05 academic year, the student unit costs as weighted by the relative costs of different levels should be adopted as the basis for determining funding insofar as changes in student numbers across triennia were to be accounted for. This would mean that in the case of a reduction in the number of sub-degree places, the total recurrent grants would be reduced by the weighted costs instead of the crude average costs of these sub-degree places. Other than this, the total recurrent grants would not be re-assessed with reference to weighted student unit costs. This was because as most sub-degree and taught postgraduate programmes would cease to be publicly-funded starting from the 2004-05 academic year, the programmes to remain in the UGC sector would largely be at the undergraduate level, and further refinement of the costing basis by level should not be necessary.

17. SG(UGC) supplemented that in the case of a reduction in the number of subvented sub-degree places between the 1998-2001 and 2001-04 triennia, the crude average costs had been used to calculate the corresponding reduction in recurrent grants for the UGC sector. This was unfair to the sector as the crude average cost was higher than the cost of a sub-degree place.

Concluding remark

18. Members raised no further queries about the Administration's proposal on the provision of recurrent funding for the UGC sector for the 2004-05 roll over year. In concluding the discussion, the Chairman remarked that members in general supported the proposal.

II. Matching Grant Scheme for University Grants Committee-funded Institutions

[LC Paper No. CB(2)607/03-04(01)]

Purpose of the Scheme and performance of institutions

19. Mr Tommy CHEUNG asked why the Administration had decided to reduce the funding support for the UGC sector by about $1.1 billion on the one hand, and provide a $1 billion dollar-for-dollar matching grant on the other.

20. SEM responded that local students were now subsidized at some 82% of the overall student unit cost of UGC-funded programmes, a percentage which was among the highest on an international scale. Given the budgetary constraints, it would be in the interest of the institutions to diversify their funding sources as overseas institutions often did, and for the higher education sector as a whole to change their conventional mindset and culture regarding the allocation of resources. To develop a philanthropic culture in support of higher education,

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the Scheme was established to encourage institutions to raise funds through the collective efforts of their management and staff. SEM considered that as long as institutions could demonstrate the high quality of their academic and research programmes, it should not be too difficult for them to attract private endowment.

21. SEM further said that of the $1 billion commitment approved by the Finance Committee for the Scheme, $500 million was allocated to the first phase which was opened for application in July 2003. The response from institutions and donors had been most encouraging. Up to the end of October 2003, the eight UGC-funded institutions had together secured around $561 million of donations for matching. Discounting around $66 million worth of donations which were received by some institutions in excess of the stipulated "ceiling" of 150 million for each institution, a total of $495 million donations were eligible for matching in the first phase.

22. Mr Tommy CHEUNG and Ms Cyd HO asked whether the performance of individual institutions in securing private donations could be provided for members' information.

23. SG(UGC) responded that private donations received by UGC-funded institutions would eventually be disclosed as institutions would have to specifically record the donations, and publish the details in their audited accounts for public scrutiny. However, in order not to pre-empt fund-raising efforts, and to encourage healthy competition among institutions, the eight UGC-funded institutions considered it more appropriate to maintain the confidentiality of these donations for the time being. He pointed out that disclosure of the amount of private donations received by institutions at this stage might affect the choice and decision of prospective donors who had been approached by individual institutions. Ms Cyd HO expressed a different view. She considered that disclosure of the donations received by institutions at this stage could help smaller/newer institutions in soliciting donations from prospective donors.

24. Mr Tommy CHEUNG expressed support for encouraging institutions to be more active in fund-raising, but expressed reservations about withholding information on the donations received by institutions as such information would have to be disclosed sooner or later. He asked how the Administration would monitor the provision of matching grants to institutions and audit the private donations received by institutions.

25. SEM explained that disclosure of the amount of private donations received by institutions at this stage might create negative impact on institutions’ fund-raising initiatives in progress. He also confirmed that the eight UGC-funded institutions had reached consensus on the issue and requested the Administration not to disclose such information at this stage. He clarified that private donations received by institutions would be matched after the donations

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had been credited to institutions' accounts.

Distribution of matching grants and possible consequence

26. Mr Tommy CHEUNG asked how the matching grants would be allocated to institutions to match the private donations they received.

27. SEM explained that to encourage healthy competition amongst institutions and to allow the smaller institutions a fair chance, an amount of $20 million (i.e. a "floor") was set aside for matching by each institution as a guaranteed minimum for donations received before 31 December 2003. A "ceiling" of $150 million was also set to limit the aggregate amount of grant that each institution could receive during the first phase. Having considered the relative performance of the institutions so far, and responding to the suggestions at a previous Panel meeting, the Administration proposed to adjust the aggregate "ceiling" and "floor" levels of the first and second phases of the Scheme to $250 million and $45 million respectively. In order to allow smaller/newer institutions a reasonable amount of time to secure donations, the Administration also proposed that the resources set aside as guaranteed minimum (i.e. the "floor" amounts) would be reserved for matching donations received before 30 June 2004.

28. Mr MA Fung-kwok asked whether the Administration would increase the matching grant fund if the total donations secured by the eight UGC-funded institutions exceeded $1 billion.

29. SG(UGC) responded that there would be a limit of $1 billion for matching of donations received by institutions. The actual cashflow and duration of the scheme would depend on the speed at which the institutions could secure the donations and the amounts involved.

30. Dr YEUNG Sum expressed concern that although the Administration had set a "ceiling" and a "floor" for the provision of matching grant, the large institutions with a long and reputable history were more capable of raising funds than the smaller ones with a short history. He considered it very likely that the University of Hong Kong (HKU), the Chinese University of Hong Kong (CUHK) and the Polytechnic University of Hong Kong (PolyU) would be more capable than the Lingnan University and the City University of Hong Kong (CityU) in fund-raising. He urged the Administration to ensure a fair distribution of the matching grants to smaller/newer institutions.

31. SEM responded that the Administration had considered the relative performance of the institutions in the first phase and the needs of the smaller/newer institutions, and would raise the "ceiling" and the "floor" levels to $250 million and $45 million respectively. The purpose of the adjustments was to encourage institutions to make more efforts to raise fund as well as to give

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further assurance to the smaller institutions regarding the amount of grants they would be able to obtain from the Scheme. Dr YEUNG Sum remarked that the Democratic Party anticipated that the Administration would adopt appropriate measures to ensure a fairer distribution of the matching grant fund to smaller institutions.

32. Ms Cyd HO expressed concern that if further funding cuts should be made for the 2005-08 triennium, the smaller/newer institutions which failed to secure sufficient donations might be short of resources to run their existing programmes. She asked whether the Administration would assist these institutions in case they could not secure sufficient donations to continue operation in the future.

33. SEM responded that the recurrent funding for the UGC sector for the next triennium had not been determined. He pointed out that the matching grant was introduced to encourage institutions to secure private donations for activities within the ambit of UGC recurrent grants, and was provided in addition to the recurrent funding which should be sufficient for institutions to operate without the matching grant.

34. Mr CHEUNG Man-kwong said that the total recurrent funding for the UGC sector for the 2004-05 roll over year, after deduction of the cumulative deflation over the 2001-04 triennium and the proposed civil service pay adjustment in 2004-05, was about $1 billion less than the provision for the 2003-04 academic year. The eight UGC-funded institutions would have to share the funding cuts of $1 billion for the 2004-05 roll over year in accordance with their shares of the total recurrent funding for the sector. The establishment of the Scheme would mean the return of the $1 billion saving to institutions, and institutions would receive a double amount up to the "ceiling" if they were able to secure sufficient donations from the private sector. He agreed that the Scheme would encourage institutions to develop and diversify their sources of income, but pointed out that while HKU, CUHK and PolyU would be able to secure the maximum grant, some institutions might have difficulty in securing the minimum before July 2004. He suggested that the Administration should allow a longer period of time for these institutions to secure private donations up to the “floor” level, without affecting the provision of matching grants to those institutions which would secure aggregate donations in excess of the "ceiling".

35. SEM responded that the Administration could consider Mr CHEUNG Man-kwong’s suggestion, but pointed out that it would not be easy for the Administration to convince the heads of the eight UGC-funded institutions, who held different views on the distribution of the matching grants, to accept the suggested arrangement.

36. Mr SZETO Wah expressed concern that the Hong Kong Institute of Education (HKIEd) would have difficulty in securing sufficient private

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donations to meet the budget shortfall arising from the funding cuts to the UGC sector. He pointed out that based on the total recurrent funding for the 2004-05 roll over year, HKIEd would share a larger reduction of recurrent funding than the Lingnan University and the Hong Kong Baptist University. As graduates of HKIEd were mainly engaged in the teaching profession and were relatively less capable of securing private donations, he requested the Administration to give special consideration to HKIEd in allocation of resources for the 2005-08 triennium. Mr SZETO also expressed concern that HKIEd would be forced to merge with CUHK in case it could not sustain operation due to a lack of funds.

37. SEM responded that the Administration did not have a policy to encourage UGC-funded institutions to merge. However, if such merging was initiated by the institutions concerned, the Administration would seriously consider the proposal and provide support as appropriate.

38. Mr SZETO Wah remarked that reduction of funding support to an institution could ultimately force the institution to consider merging with another institution for financial reason.

III. Any other business

39. There being no other business, the meeting ended at 5:30 pm.

Council Business Division 2
Legislative Council Secretariat
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