

LEGCO QUESTION NO. 8

(Written Reply)

Asked by: Hon CHEUNG Man-kwong

Date of sitting: 3 May 2006

Replied by : Secretary for Education
and Manpower

Question :

The Administration announced in 1991 that subvented tertiary institutions should aim at recovering 18% of costs from tuition from the 1997-98 academic year onward. In this connection, will the Government inform this Council:

- (a) whether the above policy is still in force; if so, how it ensures that the institutions follow the policy when determining tuition; if not, of the time when the policy was changed and the reasons therefore, and whether the new percentage has been announced;
- (b) of the average cost and tuition for each place and the percentage of tuition fee against the cost in respect of each of the past five years, broken down by academic level and institution; and
- (c) whether the tuition charged in the past five years by the institutions has exceeded the above percentage; if so,
 - (i) of the reasons and details regarding the overcharge;
 - (ii) whether the relevant institutions have breached the above policy; and
 - (iii) whether it will request the relevant institutions to bring the tuition down to the above percentage immediately and return the overcharged amount; if it will, of the details of the request; if not, the reasons for that?

Reply :

Madam President,

- (a) The then Executive Council decided in 1991 that the cost recovery target for fees for degree courses should be increased by phases to 18% of the total recurrent costs by the end of the 1995/96 to 1997/98 triennium. This target was achieved in the 1997/98 academic year as scheduled.

The 18% cost recovery target was set against the background of a very low cost recovery rate at that time. The aim was to increase the tuition fees gradually so as to achieve a more reasonable balance between the students/parents and the community at large in shouldering the cost of providing tertiary education. The cost recovery target also provides an overall indicator for the Government to compare and benchmark students/parents' contribution to tertiary education in Hong Kong with those in other jurisdictions. It is however not the intention nor would it be practical to enforce the cost recovery rate down to the institution, academic discipline and programme level. This is because applying the same tuition fee level to different institutions, levels of studies and disciplines gives rise to different cost recovery rates due to different cost structures. This has always been the understanding of the Government, the institutions and the community at large, and reflects the current situation.

It is not the Government's intention to fix the cost recovery rate at 18% once and for all. As with the tuition fee level, the cost recovery rate is subject to revision in the light of changing social and economic circumstances.

- (b) Through the University Grants Committee (UGC), the Government provides recurrent subventions to the eight UGC-funded institutions mainly in the form of block grants. The institutions are free to determine the amount of funds to be used for different levels of studies and disciplines, as well as the actual tuition fee levels.

The average student unit costs, tuition fees and cost recovery rates for different levels of study of the eight UGC-funded institutions in the past five academic years are set out at Annex. In calculating the unit costs, we have taken into account only the recurrent expenditure of the institutions, but not the new sources of non-recurrent funding (e.g. the two Matching Grant Schemes totalling \$2 billion launched in 2003 and 2005) provided to them to support internationalisation and ongoing academic developments and to strengthen their fund-raising capabilities.

- (c) While the average tuition fees for degree courses in the past five academic years have remained unchanged (at \$42,100), the average cost recovery rates for the 2003/04 and 2004/05 academic years had slightly exceeded 18%, primarily due to a reduction in the recurrent costs incurred by the UGC-funded institutions. However, it should be noted that the recurrent costs, which comprise Government's recurrent subvention, is only part of Government's funding support for the UGC sector. The Government has indeed made substantial cash injections into the UGC sector in the past few years, notably the two Matching Grant Schemes totalling \$2 billion which have helped secured substantial private sector donations for the institutions. The total amount of resources available to the institutions and their students has thus increased substantially, only not in the

conventional mode of recurrent funding and therefore cannot be reflected in the student unit costs and cost recovery rates.

Insofar as the students are concerned, by freezing the level of tuition fees since the 1997/98 academic year and continuing to provide financial assistance to needy students, Government has not changed its policy, which is that no student should be deprived of education because of the lack of means. Indeed, as a result of the Matching Grant Schemes and the donations received by the institutions in the past few years, students of the UGC-funded institutions will benefit from better facilities, higher quality of education and the availability of more scholarships.

As it is within the institutions' authority to set tuition fees, the Government should not and will not intervene in the institutions' decisions. Nonetheless, reducing tuition fees or refunding the fees received to students would adversely affect the financial situation of the institutions and hence their plans to upgrade their programmes and facilities, which will not be in the interest of the institutions or the students.

2000/01 Academic Year

	<u>Average Student Unit Cost⁽¹⁾</u>	<u>Average Tuition Fee⁽²⁾</u>	<u>Average Cost Recovery Rate</u>
	\$	\$	
Sub-degree	161,200	23,800	14.8%
Undergraduate	246,600	42,100	17.1%
Taught Postgraduate	243,500	42,100	17.3%
Research Postgraduate	421,000	42,100	10.0%
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Overall	240,600	39,000	16.2%
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2001/02 Academic Year

	<u>Average Student Unit Cost⁽¹⁾</u>	<u>Average Tuition Fee⁽²⁾</u>	<u>Average Cost Recovery Rate</u>
	\$	\$	
Sub-degree	151,200	25,500	16.9%
Undergraduate	234,500	42,100	18.0%
Taught Postgraduate	226,400	42,100	18.6%
Research Postgraduate	393,000	42,100	10.7%
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Overall	229,600	39,500	17.2%
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2002/03 Academic Year

	<u>Average Student Unit Cost⁽¹⁾</u>	<u>Average Tuition Fee⁽²⁾</u>	<u>Average Cost Recovery Rate</u>
	\$	\$	
Sub-degree	142,300	26,100	18.3%
Undergraduate	230,200	42,100	18.3%
Taught Postgraduate	217,000	42,100	19.4%
Research Postgraduate	390,700	42,100	10.8%
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Overall	226,100	39,800	17.6%
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2003/04 Academic Year

	Average Student <u>Unit Cost</u> ⁽¹⁾	Average <u>Tuition Fee</u> ⁽²⁾	Average Cost Recovery <u>Rate</u>
	\$	\$	
Sub-degree	127,000	27,200	21.4%
Undergraduate	212,700	42,100	19.8%
Taught Postgraduate	202,400	42,100	20.8%
Research Postgraduate	367,800	42,100	11.4%
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Overall	208,900	39,800	19.1%
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2004/05 Academic Year

	Average Student <u>Unit Cost</u> ⁽¹⁾	Average <u>Tuition Fee</u> ⁽²⁾	Average Cost Recovery <u>Rate</u>
	\$	\$	
Sub-degree	121,600	27,700	22.8%
Undergraduate	204,700	42,100	20.6%
Taught Postgraduate	201,100	42,100	20.9%
Research Postgraduate	358,400	42,100	11.7%
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Overall	202,700	39,900	19.7%
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Notes:

- (1) The average unit cost is calculated on the basis of the institutions' reported recurrent expenditure on UGC-funded activities over the total number of students in those activities.
- (2) The average tuition fee level for sub-degree (SD) programmes offered by the UGC-funded institutions is \$31,575 per annum, except SD programmes offered by Hong Kong Institute of Education (HKIEd). SD programmes offered by HKIEd are subject to a different scale of tuition fees - the bulk of HKIEd's SD programme tuition fees come from the Certificate in Education courses which are charged at \$15,040.