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Report

of the Working Group on

Associate Degree Programmes

香港城市大學
City University of Hong Kong

December 2003

Important Note

The recommendations in this report are based on the arrangements for funding withdrawal for Associate Degree programmes as announced by the University Grants Committee in its letter to the University on 9 May 2003. Should there be significant changes to the said arrangements, a review of the recommendations of this report may be necessary.

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FOREWORD

As the Working Group examines the financial viability of offering self-financing Associate Degree (AD) programmes, it is obvious to all concerned that the University is faced with some daunting challenges when government funding is to be withdrawn from more than 70% of its AD programmes from 2004 to 2008.

The Working Group has put in earnest efforts to tackle the issues at hand, consulted widely and examined every proposal put forward for discussion. The Management representatives have not only provided comprehensive information and data on the operation of the existing AD programmes but have also come up with, on numerous occasions, reasonable cost structures and proposals in the hope of making the future self-financing AD programmes viable and sustainable. The College representatives have gathered useful information about AD operations in the market, and relayed ongoing feedback from their colleagues that allowed proposals to be discussed and re-examined. My fellow external Council members have generously shared their business acumen and community perspectives. Their presence has instilled an angle of objectivity throughout the discussions, ensuring that the concerns expressed about various proposals are heard and reviewed in an open, transparent, fair and equitable manner.

This report is developed on the basis of a spirit of collaboration and pragmatism from all members. Although we have been working under a very tight schedule, we believe that we have taken into account relevant factors in proposing a viable model for the College which can work in the best interests of the University community.

For reasons enumerated in the draft report, the Working Group believes that the University should set up a new College offering self-financing AD programmes. The College should be given the needed autonomy and flexibility to chart its course of development. Its financial strength will be sustained through appropriate prudence in spending and maintenance of high student enrolments. Besides, the College should move to a new permanent campus in future. The Working Group has also tendered proposals for the transitional period 2004-08, to enable the College to serve its students and meet its objectives.

I would like to extend my heartfelt thanks to all the Working Group members, internal and external, for their constructive ideas and inputs. Without their sincere and unwavering support, it would not have been possible to achieve such positive results in such a short time.

My gratitude also goes to the resource persons assigned by the Management to support the Working Group. Last but not least, I thank the various groups of stakeholders — the Management, students, College and Faculty Staff, the Staff Association, to name a few — for their frank comments and helpful suggestions.

S M Chung
Chairman
Council's Working Group on Associate Degree Programmes

December 2003

EXECUTIVE SUMMARY

The Government's decision to phase out public funding for most Associate Degree (AD) programmes offered by the City University of Hong Kong (CityU) from 2004 to 2008 has caused a great deal of concerns about the future provision of AD programmes in the University. These concerns have brought forward for discussion a proposal set out in the University's Strategic Plan for transforming the College of Higher Vocational Studies (COL) into a financially viable unit with substantial autonomy, providing a bridge between secondary and advanced qualifications.

At its meeting on 23 June 2003, the Council set up a Working Group on Associate Degree Programmes, with a mandate to study the financial viability and related issues of offering self-financing AD programmes in the University.

Mapping out a plan to secure financial viability without sacrificing quality in self-financing AD programmes is, perhaps, the most daunting challenge the Working Group faces. It means, essentially, considerations have to be given to bringing the cost down to a level where incomes can cover expenses, while at the same time keeping the tuition fee competitive. More importantly, an organizational structure and culture conducive to the further development of self-financing AD programmes should also be established.

Guided by a commitment to finding a way forward for the University and COL staff to respond to the challenges ahead, the Working Group has examined a wide range of issues relating to the provision of AD programmes, consulted the views of various stakeholders, and conducted a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis of offering AD programmes and a sensitivity analysis on various scenarios of incomes and expenditures.

RECOMMENDATIONS

As a result of the work by the Working Group on Associate Degree Programmes, the following recommendations are presented:

Establishment and Remits of the New College

1. The Working Group recommends that a new College should be established and commence operations in July 2004, offering primarily self-financing AD programmes. Other non-CityU top-up degree (only full-time or mixed-mode) and pre-AD programmes should also be offered.

2. The Working Group recommends that the new College incorporate all Divisions of the existing College of Higher Vocational Studies, with the exception of the Division of Building Science and Technology (BST) which will continue to receive government funding. The Working Group's recommendations in this report therefore do not cover BST.

Organizational Structure and Executive Governance

3. The Working Group recommends that the new College be given a high level of autonomy in its management and operation.

4. The Working Group recommends the incorporation of a new company under the University Council before July 2004 to handle the contractual and business matters of the new College.

Academic Governance

5. The Working Group recommends the establishment of, under the Senate, an Academic Board of Associate Degree Studies before July 2004 to oversee the academic management of the AD programmes offered by the new College.

6. The Working Group recommends that the Senate's authorization of the Board's terms of reference be made on the conditions that the College subscribe to the quality assurance principles, policies and procedures of the University, and that the Senate reserve the rights to conduct periodic

academic audits, and, if necessary, to rescind its authorization on reasons of quality.

Staffing and Remunerations

7. From the year 2008-09 onwards, when the College turns fully self-financing, the Working Group recommends that all staff appointments should be on fixed term contracts signed with the new Company. The remuneration package should be determined by reference to the market situation, and be based on the financial viability analysis to achieve a break-even situation at the minimum. It is expected that serving staff will, when appointed by the new Company, face substantial reduction in salary and fringe benefits, including the removal of superannuation benefits, housing and education allowances.

8. For the transitional period of 2004-08, the Working Group recommends the following arrangements:

    8.1 <u>Serving COL staff on superannuable terms</u> will continue their employment with the University in the College on existing terms, with fringe benefits retained, until June 2008. But there will be a salary reduction of 20% for Academic and equivalent Administrative staff and 18% for General Grade staff starting July 2004. As COL staff will take a 3% salary cut as other University staff on 1 January 2004, the salary reduction in July 2004 will be offset by the 3% cut already implemented. There will not be a further 3% cut on 1 January 2005. If the revenues for the new College fall significantly during the transitional period (for instance, due to poor student enrolments or deeper cut in government funding than anticipated), further salary reduction or redundancy would need to be considered. Besides, unless government funding is available for compensation purposes, there will be no ex-gratia compensation package for staff members when their superannuable appointment with the University ends in June 2008. Staff members who do not wish to accept this arrangement may end their employment with the University in 2004 by accepting an ex-gratia severance package or a new Departure Scheme as determined by the University.

8.2 Serving COL staff on contract terms will, after taking a 3% cut as other University staff on 1 January 2004 following the civil service pay cut, be given two options:

- Continue the contract on current terms until its expiry, with a further salary reduction of 3% on 1 January 2005 as other University staff for contracts extending beyond 1 January 2005. Appointments thereafter, if made by the new Company, will be adjusted to the prevailing market rate with concomitant reduction of salary and fringe benefits, including the removal of housing and education allowances.
- Replace the current contract with a two-year contract signed with the University to start in July 2004, with all fringe benefits retained including contract-end gratuity, at a reduced salary the same as that applied to superannuable staff (i.e. 20% for Academic and equivalent Administrative staff and 18% for General Grade staff, including the 3% already applied in January 2004 and no further 3% cut on 1 January 2005). Contract renewal with the University will be reviewed according to established human resources procedures. If the staff member is re-appointed in 2006, there will be no further reduction in the remuneration package, unless the package for superannuable staff has also been further reduced during the transitional period, due to significant financial shortfall as mentioned in 8.1 above.

8.3 New staff will go directly for the new staffing grade structure, and reduced salary scales and benefits level at the prevailing market rate, with the employment contract signed with the new Company.

Campus

9. The Working Group recommends that the University bid for a Government site for the construction of a new College campus.

10. Before the new permanent campus becomes operational, the Working Group recommends conducting self-financing AD programmes on campus during the transitional period, on the understanding that more space and scheduling time can be released through Saturday teaching, resizing and relocation of COL staff offices, and renting premises in the neighbourhood for classes.

RATIONALE BEHIND THE RECOMMENDATIONS

Deliberations of the Working Group are based on four key guiding principles: (i) provision of quality AD programmes; (ii) maintenance of financial viability; (iii) high degree of autonomy and flexibility to meet an increasingly competitive AD market; and (iv) mutual understanding and commitment to the new initiative.

Establishment and Remits of the New College

The Working Group acknowledges that AD programmes meet the education needs of the community. The high quality programmes offered by CityU are accepted and valued by the community.

The Working Group has conducted a careful analysis of the financial situation based on a set of agreed parameters, and concludes that viability of self-financing AD programmes can be achieved if expenses are cut and revenues are raised significantly. It also notes that the College will, through various measures, achieve productivity gain. The Working Group therefore recommends, taking up an earlier proposal of the University's Strategic Plan for 2003-08, to set up a new College offering self-financing AD programmes. To supplement its income and to provide a 'through-train' education for its students, the College should also offer non-CityU top-up degree and pre-AD programmes. However, to avoid undue competition with the part-time programmes offered by the School of Professional and Continuing Education (SCOPE), the top-up degree programmes offered by the new College should be confined to full-time and mixed-mode only.

Governance

It is the Working Group's conviction that the new College should be empowered with a high level of autonomy and flexibility, in order for it to succeed in the increasingly competitive market of self-financing AD programmes. Timely and speedy responses to changes in the market are essential if the programmes offered are to attract the number of students envisaged to maintain the viability of the College. The proposed incorporation of a new company to handle business and contractual matters and the establishment of an Academic Board of Associate Degree Studies are intended to give the new College the flexibility to define its own procedures and practices to meet its needs. To assure programme quality, however, the College should adhere to the quality assurance principles and procedures prescribed by Senate.

Staffing and Remunerations

For the <u>year 2008 onwards</u> when the new College becomes fully self-financing, the Working Group recommends that the remuneration package and staffing structure should be determined by reference to the market rate to sustain financial viability. All appointments should be on contract terms to give the College the needed flexibility to adjust staffing to market needs and fiscal situations. The Working Group notes that the market model will mean a salary cut of at least 36% for serving COL staff compared with the current level (salary plus University's contribution to superannuation scheme/gratuity payment), and significant reduction of fringe benefits including the removal of superannuation benefits, housing and education allowances.

For the <u>interim period of 2004-08</u>, the Working Group notes that financial constraints should not be the only consideration. Besides securing financial viability, the staffing arrangements proposed should pay heed to staff sentiment, maintain a quality and stable workforce, build consensus, foster commitment, and give adequate flexibility for the new College to adjust staffing to fiscal situations.

The Working Group has carefully considered three approaches for the transition: (i) a redundancy plan for affected COL staff; (ii) a step-by-step cut in pay, following funding withdrawal, until 2008; and (iii) a one-time cut applicable to the whole transitional period in 2004-08, and a further cut in 2008-09 to arrive at an acceptable market level.

Common sentiment, however, is that the first option is not preferable as there is no guarantee of re-appointment, and salary reduction to the market level is to be applied immediately. The step-by-step cut, on the other hand, incurs a relatively smaller cut in the initial years, but a much deeper cut closer to 2008-09. This may lead to annual negotiation on the actual salary cut, which is undesirable and time-consuming when stability and commitment are most crucial for the provision of quality AD programmes during the transitional years.

After thoughtful discussion and deliberation, the Working Group recommends the third option, comprising a one-time salary cut (20% for Academic and equivalent Administrative staff, a smaller percentage of 18% for General Grade staff on account of their lower salary and less favourable fringe benefits package) in July 2004, and another round of cuts in 2008-09. The cut percentage is arrived at through a stringent financial analysis, factoring into the calculation the due share of the College from public funding (using the existing University's budget allocation formula and process as agreed by the Working Group) and incomes from self-financing programmes, and other factors including the meeting of student enrolment targets and productivity gain. The salary cut is intended to be applied to all serving staff of the COL. The Working Group notes that, however, depending on individual circumstances, some contract staff may find it unduly harsh to have to accept a significant pay cut at this time. It therefore agrees to offer another option for contract staff to continue on their present contract with no salary reduction except for the civil service pay cut, but re-appointment thereafter, if made, will use the market rate.

Regarding the terms of appointment, the original thinking of the Working Group was to offer a four-year contract to superannuable staff, with a view to keeping quality staff by guaranteeing their employment during the transitional period. Such an approach, the Working Group believes, would provide a sense of stability and commitment for the establishment of a self-financing College. The Working Group also notes that a conversion to contract terms in 2004 may not be an unfavourable move when, after all, all staff appointments will need to be made on contract terms in 2008-09. In times of financial stringency, superannuable appointments do not ensure job security.

During the consultation period in October 2003, however, deep concerns were expressed about the conversion from superannuable to contract terms. Some staff members note that the 'sanctity' of superannuable terms of appointment, as a status and recognition of staff contribution in the University, should not be tampered with. Others are wary about the tax implications when contract gratuity payment, unlike superannuation benefits, is subject to taxation. Taking account of these views, the Working Group agrees in its subsequent discussion that, on balance, maintaining staff morale and building consensus during the transitional period are particularly important. The Working Group therefore recommends no change to superannuable terms until June 2008, when employment thereafter has to be decided by the new Company on contract terms based on a new remuneration package. However, there should be a clear and explicit understanding that unless government funding is available for compensation purposes, an ex-gratia compensation package will not be available to staff members when their superannuable appointment with the University ends in June 2008.

For housing benefits, eligible staff members will continue to receive these benefits during the transitional period of 2004-08 if their employment is made with the University. The Working Group would like to note that this guarantee of housing benefits is a gesture of support made by the University, as it is still uncertain whether the Government will continue the provision at full level when its funding for AD programmes is withdrawn during the transitional years.

The Working Group hopes that its resolutions on staffing matters enable everyone to focus on the quality of the programmes and the challenges ahead. In essence, under a self-financing mode of operation, employment guarantee is largely determined by the impeccable quality of the programmes and their successful operation in the new College.

Campus

The Working Group recognizes that there are competing demands for space and the University is facing a severe shortage of space on its main campus. The University has planned to expand its undergraduate population by recruiting more students and providing more places for transfer admission. The estimate is that additional space for some 1,000 students is needed to meet these plans. The Working Group also acknowledges, however, that there is an earnest wish to conduct AD programmes on campus, until a new permanent campus becomes operational. Housing the students on campus would enhance the appeal of self-financing AD programmes, particularly when other university-based AD providers are offering their programmes on campus. Such an arrangement would also help to establish a strong foundation for self-financing AD programmes in their initial years of development. Noting that COL Staff has made proposals to ease the space problems by offering Saturday classes, resizing and relocation of staff offices, and renting premises in the neighbourhood for classes, the Working Group recommends considering the on-campus arrangements for these programmes during the transitional period. To help maintain the level of academic support to students, however, the relocation of staff offices off campus should be used only as a secondary option.

BACKGROUND

The Government's decision to phase out public funding for most Associate Degree (AD) programmes offered by the City University of Hong Kong (CityU) from 2004 to 2008 has caused a great deal of concerns about the future provision of AD programmes in the University. These concerns have brought forward for discussion a proposal set out in the University's Strategic Plan for transforming the College of Higher Vocational Studies (COL) into a financially viable unit with substantial autonomy providing a bridge between secondary and advanced qualifications.

At its meeting on 23 June 2003, the Council set up a Working Group on Associate Degree Programmes, with a mandate to study the financial viability and related issues of offering self-financing AD programmes in the University. The membership of the Working Group is:

Chairman

Treasurer of the University	Mr S M CHUNG

Members

Two external Council members	Mr Edward CHENG Ms Marina WONG
Two representatives from the management	Professor Kwok LEUNG (Head of Department of Management) Dr J T YU (Chief Information Officer)
Two staff members elected by and from the College of Higher Vocational Studies	Dr S H KO (Acting Head of Division of Commerce) Ms Wanda LAU (Acting Head of Division of Language Studies)

The funding withdrawal will lead to a reduction in the number of UGC-funded places from the existing number of 4,759 full-time equivalents (FTEs) to just over 1,000 FTEs, or more than 70% cutback in funding, by 2008-09.

Mapping out a plan to achieve financial viability without sacrificing quality in self-financing AD programmes is, perhaps, the most daunting challenge the Working Group faces. It means, essentially, considerations have to be given to bringing the cost down to a level where incomes can cover expenses while at the same time keeping the tuition fee competitive. More importantly, an organizational structure and culture conducive to the further development of self-financing AD programmes should also be established.

PROCESS

The Working Group has held 14 formal meetings since its establishment. Guided by a commitment to finding a way forward for the University and COL staff to respond to the challenges ahead, the Working Group has examined a wide range of issues relating to the provision of AD programmes and consulted the views of various stakeholders. Its initial meetings were devoted to fact-gathering, and its recommendations are based on, *inter alia*, the following background information and submissions:

- consultation with COL staff and student representatives, Faculty members and Staff Association representatives
- submissions from Save the College Action Group, Divisional Advisory Committees and individual staff members
- a submission from and subsequent meeting with the Director of the School of Continuing and Professional Education (SCOPE)
- submissions from the Division of Building Science and Technology (BST)
- comparative information on AD programme offerings of other institutions
- comparative information on the remuneration packages offered by other AD providers
- submission from the Management with proposals on transitional arrangements
- information provided by individual members of the Working Group, such as the present cost structures and space requirements for the provision of AD programmes

To facilitate discussion, the COL representatives have conducted an analysis of the Strengths, Weaknesses, Opportunities and Threats (SWOT) of offering AD programmes in the University. The relevant paper is given in the Appendix.

In studying the financial viability of offering self-financing AD programmes, the Working Group has performed a sensitivity analysis on various scenarios of income and expenditure. Based on its best estimates of the current state of developments, the Working Group agrees on certain financial parameters to guide its planning for a new College.

Based on a spirit of collaboration and pragmatism, the Working Group has reached a consensus on a range of issues about self-financing AD programmes. Its initial recommendations, covering the following areas, were presented for staff consultation during the period 17 to 31 October 2003:

- establishment and remits of the new College
- organizational structure and executive governance
- academic governance
- staffing and remunerations
- campus
- time line for the establishment of the College

The draft report was also presented to the Management Board and Senate for formal discussion. Both forums endorsed in principle the recommendations of the draft report.

In addition to soliciting views through written submissions, the Working Group held an open forum on 27 October 2003 to explain and gather feedback from staff on the Working Group's recommendations.

With the benefit of the input thus solicited, and after additional discussion, the Working Group, in finalizing this report, has made some modification to its recommendation on staffing arrangements and refinements to other recommendations.

GUIDING PRINCIPLES AND OBJECTIVES

The following are the guiding principles and objectives that underlie the Working Group's recommendations:

Provision of Quality AD Programmes

- The Working Group acknowledges that the provision of AD programmes meets the education needs of the community, and would like to see its continuation in the University to support the Government's plan to increase sub-degree places substantially in this decade. Since its formation, the University has awarded sub-degree qualifications, formerly higher diplomas and now associate degrees. The high-quality programmes offered by COL are recognized and valued by the community in general and employers in particular. They have become a benchmark for the sector.

- In its Strategic Plan for 2003-08, the University has set forth a plan for the development of the College into a financially viable unit with increased autonomy providing a bridge between secondary school graduation and advanced qualifications. This plan should move forward if it is supported by a stringent financial viability analysis, and assured by the maintenance of the quality of programmes.

Maintenance of Financial Viability

- With the eventual withdrawal of government funding for most of the AD programmes offered by the University, significant efforts to control costs and raise revenues will be needed to maintain the long-term viability of the College. Future provision must be built on a model that can ensure the continued delivery of quality programmes that also meet market and community needs.

High Degree of Autonomy and Flexibility

- To allow for better decision-making and adaptation to an increasingly competitive environment for sub-degree education, it is necessary to give the new College a high degree of autonomy and flexibility to facilitate its development towards financial viability.

- The model of operation should be sufficiently versatile and adaptable, to allow the College to react to changes in the market. The College should ensure that it will be able to gauge and respond appropriately to these changes, and seize the opportunities arising.

Mutual Understanding and Commitment to the New Initiative

- The impending withdrawal of government funding will impact significantly on the employment conditions of serving COL staff. Their sentiments should be recognized and taken into account. Discussions should be based upon practicality as well as consensus building.

- Commitments of COL staff and the University towards the new endeavour are important, which can be reached in an atmosphere of mutual understanding and cooperation, to ensure the long-term viability of self-financing AD programmes.

- To ensure the continued success of AD programmes, an organizational culture should be developed among staff to support strategic thinking, niche development, innovation, extensive networking, and flexibility to respond to the changing requirements of the market.

The key remit of the Working Group is to study the financial viability of self-financing AD programmes. Its analysis concludes that viability can be achieved if significant efforts are made to bring down costs and raise revenues.

Currently, the estimated unit cost for the UGC-funded AD programmes is around HK$100,000. Of this sum, about half is spent on direct teaching cost — employing teaching and support staff as well as paying for other non-staff items, such as equipment, office supplies and consumables. The remaining half is on-costs. These are contributions towards the maintenance of the University's infrastructure and include for example, the library, IT and sports facilities as well as payments for utilities and administrative support services such as payroll management, financial services, personnel services, admission, registration, student records and student development services. These expenses, of which more than 70% goes to staff costs, are largely related to the physical ambiance of a quality education at CityU.

In reviewing the financial viability of offering self-financing AD programmes, the Working Group understands that the main source of income is the tuition fee, which currently stands at HK$45,000 a year. Additional income may also be generated by offering pre-AD and top-up degree programmes. On the expenditure side, relevant cost items include staffing costs and direct teaching support (non-staffing) costs, accommodation costs, and support services costs (on-costs), need to be reduced significantly.

The Working Group has conducted a sensitivity analysis on various scenarios of income and expenditure. Based on the tuition fee income of HK$45,000 per student, a target enrolment of 5,259 FTE in 2008-09, and a set of assumptions for the expenditure items agreed by the Working Group, it is found that a break-even point will be settled at an average remuneration package of about HK$0.5M per annum for the existing academic staff, in line with market rates. The calculation has taken into account the prospect of productivity gain and cost-saving measures for on-costs, and that adequate funding is devoted to teaching staff costs to uphold quality standards.

The financial analysis indicates that, for self-financing AD programmes to operate on a strong financial footing, unit cost has to be reduced by more than 50%. This is a goal that can perhaps be most efficiently met by suppressing relevant cost items, and at the same time achieving an increase in student number target.

For staffing costs, an analysis of current spending suggests that the remuneration package for serving staff has to be reduced substantially to secure financial viability. Also, new staff appointments have to be made in a much lower salary range. Another cost-saving solution is, without jeopardizing quality, to increase teaching load and class sizes. Accommodation expenditure can also be economized through more efficient use of space and identifying less expensive sites for the campus.

For the on-costs, the Working Group notes that the University management has already tendered, with a view towards supporting College development, a revised costing structure for central support/administrative services which will result in a lesser charge for these services. Cost savings may also be pursued by sourcing alternative providers. However, the Working Group urges the future College to pay heed to the possible knock-on effects on the University if it decides to discontinue its subscription to central services. The ready availability and the quality of University's services should be considered to assure the smooth operation of the new College. The University management should also be prepared in advance, to minimize any negative impact on central support staff should subscription to these services lapse in future.

Reflecting its assessment of future financial situations, the Working Group is cautiously optimistic that the operation of AD programmes will remain vibrant and vigorous. The experience and dedication of COL staff provide ample reason for confidence in the maintenance of quality. The willingness of COL staff to undertake cost-saving measures, such as adjustment to remuneration packages and heavier teaching duties, is conducive to finding a way forward for operating AD programmes under a constrained budget.

The Working Group notes that financial projections cannot be precise given their inherent uncertainties. As the local economy changes over time, adjustment and review of the financial analysis would be needed. Based on its best assessment of the current state of affairs, the Working Group recommends the continued offering of AD programmes on a self-financing basis in the University.

ESTABLISHMENT AND REMITS OF THE NEW COLLEGE

[Recommendation 1] The Working Group recommends that a new College should be established and commence operations in July 2004, offering primarily self-financing AD programmes. Other non-CityU top-up degree (only full-time or mixed-mode) and pre-AD programmes should also be offered

The build-up of self-financing programmes could be based on the AD programmes currently on offer by COL, following the schedule of the withdrawal of government funding. Assuming the conversion of all affected funded programmes to a self-financing mode, the student number of the new College could reach a total of 5,259 (3,736 converted from funded programmes as shown in the chart below, and 1,523 from Telford Annex) by the year 2008-09.

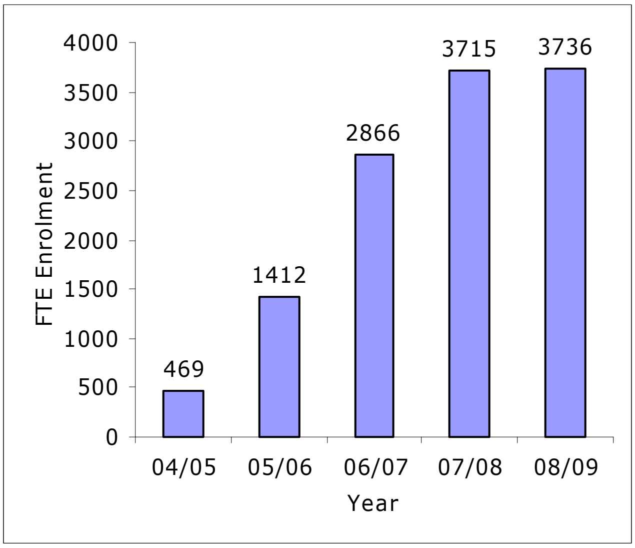

Figure 1: Projected Self-Financing FTE Enrolment
Converted from UGC-Funded Programmes *(excluding BST programmes)*

Programmes for non-CityU top-up degrees and pre-AD should also be offered by the College as it deems appropriate. The Working Group sees merits in the development of these programmes, as they would add to the College's income and provide a “through train” educational opportunity for prospective AD students. It notes, however, that the top-up degree programmes offered by the College should be in full-time or mixed-mode only, to avoid undue competition with the part-time programmes offered by the School of Continuing and Professional Education.

The Working Group understands from the COL representatives that a student population of 2,100 is being planned for top-up degree and pre-AD programmes. It is expected that teaching on these programmes would be treated as part of the regular duties, and not outside practice of the staff concerned.

ORGANIZATIONAL STRUCTURE AND EXECUTIVE GOVERNANCE

[Recommendation 2] The Working Group recommends that the new College incorporate all Divisions of the existing College of Higher Vocational Studies, with the exception of the Division of Building Science and Technology (BST) which will continue to receive government funding. The Working Group's recommendations in this report therefore do not cover BST.

[Recommendation 3] The Working Group recommends that the new College be given a high level of autonomy in its management and operation.

[Recommendation 4] The Working Group recommends the incorporation of a new company under the University Council before July 2004 to handle the contractual and business matters of the new College.

To allow for better decision-making and adaptation to an increasingly competitive environment for sub-degree education, the new College will be given autonomy on matters relating to personnel, physical plant, business operations and academic matters within its remit. The incorporation of a new company is intended to give the new College the needed flexibility commensurate with its high level of autonomy.

The proposed governance structure is set out in Figure 2 below:

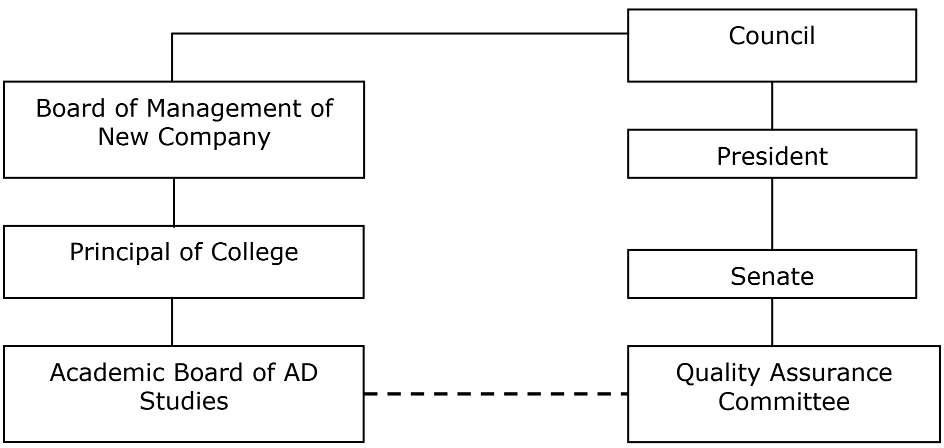

Figure 2: Governance Structure of the New College

The constitution of the Board of Management of the Company may include

- An external member of the Council appointed by the Council *(Chairman)*
- Deputy President *(Vice-Chairman)*
- Two external members appointed by the Council
- Principal of the College
- Secretary of the Finance Committee of Council.

The Board of Management shall determine the strategic direction of the new College, define its structure, oversee contractual and business matters, and support the Principal in the management and furtherance of College operations. It should ensure that sufficient and timely financial information is available for decision-making, and effective measures are introduced to identify and respond to internal and external changes that may impact on the financial viability of the College.

The opportunity was also taken to review the arrangement for self-financing programmes offered by COL and the School of Continuing and Professional Education (SCOPE), including a proposal to merge the two units. The Working Group notes that the clienteles of the two units are different. The College seeks to meet the educational needs of those youngsters who have missed the chance for direct entry to bachelor's degree programmes. For SCOPE, it caters mainly for the continuing education market for adult learners. The Working Group notes that consideration of a merger at this time would further complicate the challenging task of setting up a financially viable College. It therefore agrees, based on its assessment of current circumstances, that the new College and SCOPE should continue their work in their respective spheres. However, better delineation and coordination of the activities of the two units is necessary to avoid undue competition for students and duplication of resources. A formal mechanism should also be in place to facilitate possible collaboration.

ACADEMIC GOVERNANCE

[Recommendation 5] The Working Group recommends the establishment of, under the Senate, an Academic Board of Associate Degree Studies before July 2004 to oversee the academic management of the AD programmes offered by the new College.

[Recommendation 6] The Working Group recommends that the Senate's authorization of the Board's terms of reference be made on the conditions that the College subscribe to the quality assurance principles, policies and procedures of the University, and that the Senate reserve the rights to conduct periodic academic audits, and, if necessary, to rescind its authorization on reasons of quality.

The Academic Board of Associate Degree Studies may have, *inter alia*, the following terms of reference:

- To plan, approve, develop, introduce, maintain and regulate the associate degree programmes of study offered by the College, and to formulate policies accordingly.
- To approve the discontinuation of any associate degree programmes of study offered by the College.
- To prescribe the requirements for admission to the associate degree programmes offered by the College.
- To regulate the conditions for the award of Associate Degrees by the College.
- To be responsible for the establishment, maintenance and monitoring of academic standards in the College in accordance with the stipulations of the Quality Assurance Committee set up by Senate.
- To report annually to the Senate via the Quality Assurance Committee on the programmes the Board administers

The proposed constitution of the Academic Board of Associate Degree Studies is as follows:

- The Principal of the College (Chairman)
- Chairman of the Senate Quality Assurance Committee (QAC)
- Secretary of Senate

- Heads of Division of the College (or other appropriate academic units as determined by the Board)
- Two elected staff representatives from each academic unit of the College
- One elected student representative from the College

As indicated by this proposed constitution, the linkage between Senate and the Academic Board of Associate Degree Studies will be established through the membership of Senate Secretary and QAC Chair on the Board. Similarly, since the College programmes are governed by the University's quality assurance framework, the Quality Assurance Committee should continue to have representation from the College. The College Principal should also remain as a member of Senate.

The Working Group notes that the Academic Board of Associate Degree Studies is formed on the basis of the authority delegated by Senate for AD programmes. Its establishment will not preclude the College from setting up a similar body, if needed, to oversee pre-AD and top-up degree programmes that are outside the Senate's remits.

STAFFING AND REMUNERATIONS

Considerations

The Working Group has spent many hours deliberating and re-examining various proposals before reaching its recommendations on staffing issues. Discussions were separated into two parts: the transitional arrangements from 2004 to 2008, and the arrangements for the stable year of 2008-09 when the College becomes fully self-financing.

The Working Group is cognizant that transitional staffing arrangements up to the stable year of 2008-09 should not be based on financial considerations alone. Had that been the rationale, it would be more effective to close parts of the COL establishment affected by funding cuts and employ a new College workforce at market salaries in the interim period. The Working Group has instead taken a multi-perspective approach toward consensus building. Its considerations, besides financial reasoning, include a host of other factors, such as the sentiment and interest of COL staff and other University members, the University's development plan, the maintenance of the quality of education, and the long-term viability of the College.

First and foremost, the Working Group aims to work out a framework that would receive wide acceptance within the University community. To this end, the interests and concerns of all stakeholders must be given adequate attention, and the discussion outcomes must be considered fair and equitable. This is an essential first step in establishing commitment and trust toward a financially viable College.

Besides, the quality of AD programmes should not be jeopardized to meet financial targets. The Working Group agrees that COL staff, highly qualified in their profession and having many years of experience in sub-degree education, is a key element for the maintenance and raising of quality.

Proposed Arrangements for the Stable Year of 2008-09 and After

[Recommendation 7] From the year 2008-09 onwards, when the College turns fully self-financing, the Working Group recommends that all staff appointments should be on fixed term contracts signed with the new Company. The remuneration package should be determined by reference to the market situation, and be based on the financial viability analysis to achieve a break-even situation at the minimum. It is expected that serving staff will, when appointed by the new Company, face substantial reduction in salary and fringe benefits, including the removal of superannuation benefits, housing and education allowances.

The Working Group agrees that the College should adopt a simpler, less hierarchical staffing structure that is cost-effective and adaptable to change. At the same time, it should offer a staff remuneration package which is financially affordable and yet competitive enough to recruit and retain staff.

Based on the results of the financial viability analysis, the Working Group proposes a plan for the operation of self-financing AD programmes in a competitive environment, focusing on three main areas: staffing grade structure, staff ratio, and remuneration package.

Staffing Grade Structure

The Working Group recommends the new College adopt a simple two-tier grade structure to enhance the efficiency of operation: Senior Lecturer and Lecturer grades for academic staff, executive and clerical/technical grades for support staff. Within this staffing structure, appropriate functional titles commensurate with the duties of the staff concerned may be adopted.

	Existing Staffing Grade Structure	**New Staffing Grade Structure**
Academic Staff	Principal Lecturer (PL) Senior Lecturer (SL)	Senior Lecturer Grade *(The title of Principal Lecturer/ Senior Lecturer may be given. Staff with senior managerial responsibilities may be given a managerial allowance. Serving PL and SL will retain their title on a personal basis.)*
	Lecturer (L) Assistant Lecturer (AL)	Lecturer Grade *(Depending on the level of responsibilities, the appropriate title of Lecturer/Assistant Lecturer will be given. Serving L and AL will retain their title on a personal basis.)*
Support Staff	College Secretary, Administrative Officer, Computer Officer, Executive Officer I / II	Executive Grade
	Technician, Assistant Computer Officer, Clerical Officer I/II, Personal Secretary, Laboratory Assistant	Clerical/Technical Grade

Other short-term or temporary teaching support staff, for example, with the titles of Part-Time Lecturer, Instructor and Teaching Assistant may be appointed to meet operational needs as considered appropriate. Given the short-term nature of these appointments, their terms of appointment would follow the statutory provisions under the Employment Ordinance at appropriate market salaries. In future, the new College may also require some senior executives to support its operation and the creation of a senior executive grade may be considered when necessary.

Staff Ratio

To control costs, it is recommended that academic staff at senior levels who conduct planning and revenue-generating activities should be kept to a small number, while junior staff with primary responsibility for teaching should form the major proportion of the College staff force. The Working Group recommends a staff ratio of 1:4 for Senior Lecturer to Lecturer, and 1:4 for support staff to academic staff.

Terms of Appointment and Remuneration Package

The Working Group proposes, consistent with the self-financing status of the College, that all staff appointments be on fixed term contracts signed with the new Company for the year 2008-09 and after. Such an arrangement will give the College the needed flexibility to respond to market needs and adjust staffing to fiscal situations. Besides, the remuneration package henceforth should be determined by reference to the market situation, and be based on the financial viability analysis to achieve a break-even situation at the minimum.

Under the proposed new remuneration package, all staff will be remunerated on fixed salaries for cost-controlling purposes, instead of the current system of salary scales with annual increments and cost-of-living adjustments.

For serving COL staff, the average total remuneration package per annum is estimated to be around HK$0.5M for academic staff and HK$0.25M for support staff, close to the market rates. The salary levels under this proposal reflect an average of at least 36% reduction compared with the current level (salary plus University's contribution to superannuation scheme/gratuity payment). The actual total reduction will vary, depending on other fringe benefits currently drawn by staff. The eventual cut will be subject to a review of the prevailing market situation and the financial performance of the College at that time.

For new staff, it is considered necessary to broaden the salary range in order to attract high quality candidates and to remain competitive as compared with other AD providers. Current market situation suggests that the fixed salary for academic staff appointment should fall within the ranges of HK$34,000 - HK$65,000 (for Senior Lecturer Grade) and HK$20,000 - HK$36,000 (for Lecturer Grade). The respective salary ranges for support staff are HK$16,000 - HK$32,000 (for Executive Grade) and HK$6,000 - HK$15,000 (for Clerical/technical Grade).

Besides salary, staff members taking additional administrative responsibilities such as heads of division or programme managers may receive a fixed monthly responsibility allowance. The College may also, when its fiscal conditions allow, award incentive/performance bonuses to recognize and reward staff's meritorious performance. In this connection, a mechanism should be in place to ensure that the selection for such awards is merit-based and that the assessment of staff performance is based on a fair and credible system.

For other terms and conditions of appointment including leave and fringe benefits, which will be equally applied to both serving and new staff, it is proposed that the market pattern be followed. There will be substantial reduction in fringe benefits, including the removal of superannuation benefits, housing and education allowances.

Proposed Arrangements for the Transitional Period 2004 to 2008

The Working Group has received various proposals covering salary level, terms of employment and benefits in the transitional period between 2004, when government funding for AD programmes starts to withdraw, and 2008, when the new College becomes fully self-financing. Considerations of these proposals are essentially based on the guiding principles the Working Group has agreed for the establishment of a new College. Besides securing financial viability, the staffing arrangements for the transitional period should pay heed to staff sentiment, maintain a quality and stable workforce, build consensus, foster commitment, and give adequate flexibility for the new College to adjust staffing to fiscal situations.

The Working Group has carefully considered three approaches for the transition: (i) a redundancy plan for affected COL staff; (ii) a step-by-step cut in pay, following funding withdrawal, until 2008; and (iii) a two-step approach through a one-time cut applicable to the whole transitional period in 2004-08, and a further cut in 2008-09 to arrive at an acceptable market level.

Common sentiment, however, is that the first option is not preferable as there is no guarantee of re-appointment, and salary reduction to the market level is to be applied immediately. The step-by-step cut, on the other hand, incurs a relatively smaller cut in the initial years, but a much deeper cut closer to 2008-09. This may lead to annual negotiation on the actual salary cut, which is undesirable and time-consuming when stability and commitment are most crucial for the provision of quality AD programmes during the transitional years. After thoughtful discussion and deliberation, the Working Group agrees on the third option of a one-time salary cut in 2004, and further cut in 2008.

[Recommendation 8] For the transitional period of 2004-08, the Working Group recommends the following arrangements:

8.1 Serving COL staff on superannuable terms will continue their employment with the University in the College on existing terms, with fringe benefits retained, until June 2008. But there will be a salary reduction of 20% for Academic and equivalent Administrative staff and 18% for General Grade staff starting July 2004. As COL staff will take a 3% salary cut as other University staff on 1 January 2004, the salary reduction in July 2004 will be offset by the 3% cut already implemented. There will not be a further 3% cut on 1 January 2005. If the revenues for the new College fall significantly during the transitional period (due for instance to poor student enrolments or deeper cut in government funding than anticipated), further salary reduction or redundancy would need to be considered. Besides, unless government funding is available for compensation purposes, there will be no ex-gratia compensation package for staff members when their superannuable appointment with the University ends in June 2008. Staff members who do not wish to accept this arrangement may end their employment with the University in 2004 by accepting an ex-gratia severance package or a new Departure Scheme as determined by the University.

8.2 Serving COL staff on contract terms will, after taking a 3% cut as other University staff on 1 January 2004 following the civil service pay cut, be given two options:

(i) Continue the contract on current terms until its expiry, with a further salary reduction of 3% on 1 January 2005 as other University staff for contracts extending beyond 1 January 2005. Appointments thereafter, if made by the new Company, will be adjusted to the prevailing market rate with concomitant reduction of salary and fringe benefits, including the removal of housing and education allowances.

(ii) Replace the current contract with a two-year contract signed with the University to start in July 2004, with all

fringe benefits retained including contract-end gratuity, at a reduced salary the same as that applied to superannuable staff (i.e. 20% for Academic and equivalent Administrative staff and 18% for General Grade staff, including the 3% already applied in January 2004 and no further 3% cut on 1 January 2005). Contract renewal with the University will be reviewed according to established human resources procedures. If the staff member is re-appointed in 2006, there will be no further reduction in the remuneration package, unless the package for superannuable staff has also been further reduced during the transitional period, due to significant financial shortfall as mentioned in 8.1 above.

8.3 New staff will go directly for the new staffing grade structure, and reduced salary scales and benefits level at the prevailing market rate, with the employment contract signed with the new Company.

The cut percentage is arrived at through a stringent financial analysis, factoring into the calculation the due share of the College from public funding (using the existing University's budget allocation formula and process as agreed by the Working Group) and incomes from self-financing programmes, and other factors including the meeting of student enrolment targets and productivity gain. Under the original proposal, the salary cut is intended to be applied to all serving staff of the COL. The Working Group notes that, however, depending on individual circumstances, some contract staff may find it unduly harsh to have to accept a significant pay cut at this time. It therefore agrees to offer two options for contract staff, either to go for a new contract with the 20% salary cut (or 18% for General Grade staff) in July 2004, or to continue on their present contract with no salary reduction except for the civil service pay cut, but re-appointment thereafter, if made, will use the market rate.

Regarding the terms of appointment, the original thinking of the Working Group was to offer a four-year contract to superannuable staff, with a view to keeping quality staff by guaranteeing their employment during the transitional period. Such an approach, the Working Group believes, would provide a sense of stability and commitment for the establishment of a self-financing College. The Working Group also notes that a conversion to contract terms in 2004 may not be an unfavourable move when, after all, all staff appointments will need to be made on contract terms in 2008-09. In times of financial stringency, superannuable appointments do not ensure job security.

During the consultation period in October 2003, however, deep concerns were expressed about the proposed conversion from superannuable to contract terms. Some staff members note that the 'sanctity' of superannuation terms of appointment, as a status and recognition for staff contribution in the University, should not be tampered with. Others are wary about the tax implications when contract gratuity payment, unlike superannuation benefits, is subject to taxation. Taking account of these views, the Working Group agrees in its subsequent discussion that, on balance, maintaining staff morale and building consensus during the transitional period are particularly important. The Working Group therefore recommends no change to superannuable terms until June 2008, when employment thereafter has to be decided by the new Company which determines the new contract terms and remuneration package.

As the University is facing a dwindling budget in the coming years, there should be a clear understanding among staff that, unless government funding is available for compensation purposes, an ex-gratia compensation package will not be provided when their superannuable appointment with the University ends in June 2008. In the unfortunate event of genuine redundancy in 2008, however, the statutory provision of a severance pay will apply where appropriate. Besides, should another departure/redundancy scheme be offered in the University during the interim period, College staff whose appointment is made with the University will still be permitted to join the scheme as applicable to other University staff members.

For housing benefits, eligible staff members will continue to receive these benefits during the transitional period of 2004-08 if their employment is made with the University. The Working Group would like to note that the provision is a gesture of support made by the University, as it is still uncertain whether the Government will continue the provision at full level when its funding for AD programmes is withdrawn during the transitional years.

The Working Group considers that the option of applying for internal positions of the University should be maintained for COL staff. It notices in particular that some support staff are caught in a difficult situation beyond their own choice, as they originally joined the University but were later assigned to work in COL through job rotation. Now they are faced with a salary cut and job insecurity. The Working Group is aware that re-deployment at this time is difficult as most departments are downsizing their staff establishment to meet budget constraints. It nevertheless urges the University to consider transferring the affected support staff to other offices as vacancies become available.

The Working Group's recommendations set out in this section are made with the best intention to provide a package that balances the interests of concerned parties. Under a self-financing mode of operation, employment guarantee is largely determined by the impeccable quality of the programmes in the new College, and achieving that requires the commitment from all sides, both staff and the Management. The Working Group hopes that by resolving the staffing arrangements for the transitional period, efforts can be re-focused on the quality of the programmes and the challenges ahead.

CAMPUS

Proposed Arrangements for the Stable Year of 2008-09 and After

[Recommendation 9] The Working Group recommends that the University bid for a Government site for the construction of a new College campus.

The Working Group unanimously agrees that a separate campus should be built for the College in the long term. An application for a start-up loan for the construction of a permanent campus should also be made. It envisions that with around 7,500 places (5,400 for AD, 2,100 for pre-AD and top-up degrees) planned for the new College by 2008-09, a new campus is necessary to cope with the growth in student population, as well as providing room for expansion in the future.

Proposed Arrangements for the Transitional Period 2004 to 2008

[Recommendation 10] Before the new permanent campus becomes operational, the Working Group recommends conducting self-financing AD programmes on campus during the transitional period, on the understanding that more space and scheduling time can be released through Saturday teaching, resizing and relocation of COL staff offices, and renting premises in the neighbourhood for classes.

The Working Group notes that there are competing demands for space and the University is facing a severe shortage of space on its main campus. The estimate of under-provision, as indicated by the University Grants Committee (UGC) in the year 2000, is 35,500 sq m. in assignable space. The UGC capital-funded assignable space in the University is 94,190 sq m. The overall availability of space on the campus will not change significantly from present levels in the foreseeable future.

Even though both UGC-funded sub-degree and degree programmes are currently conducted on the main campus, the accommodation of both is not without strain. According to UGC data, the University has an overall space shortfall of about 30%, with the shortage of classroom space at 35%. This shortage has already made the timetabling of classes difficult and compromised the quality of out-of-classroom interactions and extra-curricular activities for students and staff.

The amount of available campus space is clearly insufficient for the growth anticipated for the coming years. Besides AD programmes, the University sees great potential in expanding its undergraduate enrolment to provide more articulation places for Year 2, to open up more channels for admission, and to recruit more students. Plans are also underway for extending the undergraduate curriculum to four years. The estimate is that additional space for some 1,000 students will need to be provided to meet these plans. To maintain its position as a key player in the tertiary sector, the University must not be constrained by the lack of space to meet these needs.

As about 5,400 AD places have been planned for the stable year of 2008-09, identifying an off-campus location would give more flexibility for expansion. Assuming the successful bid for the largest available government site of 6,200 m^2 (capacity: 2,800 students) and the continued leasing of Telford Annex (capacity: 1,500 students), extra space for housing over 1,000 students will still be needed. The Working Group understands that the University is prepared to meet the initial fitting-out costs and any excess charges for the new rental premises during the transitional period. This will be a helpful step to move things forward.

The Working Group, however, also acknowledges that housing the students on campus would enhance the appeal of self-financing AD, particularly when some other University-based AD providers are offering AD programmes on campus. Operating on campus will help establish a strong foundation for the self-financing AD programmes in their initial years of development, and is also less costly compared with finding a new site for off-campus teaching. The Working Group notes that COL staff has put forward proposals to locate non-student-oriented activities (COL staff offices, "back office" operations, etc) off campus, to adopt Saturday teaching to release more space and scheduling time for teaching, to economize on space usage, and to rent nearby classrooms such as those in the Jockey Club Environmental Building.

After a lengthy deliberation, the Working Group recommends conducting self-financing AD programmes on campus during the transitional period.

APPENDIX

An Analysis of the Strengths, Weaknesses, Opportunities and Threats (SWOT) of Associate Degree Programmes Offered by City University of Hong Kong

Strengths

- **Established reputation**
  City University of Hong Kong has a long history in offering sub-degree programmes. Many of our new students select our programmes on the basis of our tradition and good reputation, which they learn through words of mouth from our in-programme students or our alumni.

- **University proper award**
  Our AD awards, which are conferred by our University, have a competitive advantage over those offered by other Continuing Education providers, as awards issued by them are issued by the Continuing Education Unit.

- **Established links with industry**
  Over the years, our colleagues have established good industrial and business connections in the community. These links are vital for placing our students in industrial and business attachments. These links would help our graduates as well as in-programme students to seek professional recognitions as well as find employment.

- **A wide range of programmes**
  As the largest provider of ADs in Hong Kong, the College has been offering a full range of programmes. We have a wide range of vocational oriented programmes which are directly linked with professional institutes and vocational bodies, as well as generic ones that are more linked with academic disciplines, for students to choose from. In terms of disciplines, our programmes range from commerce to computer technology, to languages and social science, a range unmatched by other providers. We have both on-line and traditional classroom teaching programmes as well.

- **Student-oriented education**
  We emphasize knowledge acquisition, skills development, as well as whole person development in our students. Our programmes are renowned for their co-curricular activities as well as student oriented approach in teaching. This is greatly appreciated by both students and parents.

- **Excellent articulation pathways**
  Our AD graduates can articulate into the second year of CityU's first degree programmes. Furthermore, over 60 overseas and mainland universities have entered into agreements with us for accepting our AD graduates into the second or final year of their first degree programmes.

- **Programmes with multi-disciplinary support**
  Our programmes often incorporate cross-disciplinary elements. This is made possible by the multi-disciplinary support from, and synergistic collaboration of different divisions.

- **Exposure to external input**
  Students are provided the opportunities to attend talks, seminars, conferences and public lectures organized by the University as well as by the divisions, which are very frequently hosted on campus. As cross-discipline

knowledge is increasingly important to employers, such wide exposure to external input has enabled our graduates to be better equipped for employment and personal development.

- **Highly qualified staff**
  Our staff are highly qualified in their professions. Many of them are publicly recognized as experts in their fields of work.

- **State of the art teaching and facilities**
  Our teaching is fully supported with state-of-the-art facilities. Technical centres, laboratories and computing facilities are specially equipped for, and freely assessable to, all our AD students.

- **Extensive alumni network**
  Over the last two decades, we have established an extensive alumni network which is a valuable intangible asset for our University. This network facilitates the raising of fund and donation, our graduates in seeking employment, student placement, enhancement of teaching and learning and reviews of programmes.

- **High Employability for graduates**
  Our graduates are highly employable. Their average start-up salary is only about 10-15% lower than those of first degree graduates of similar disciplines. This testifies to the cost effectiveness of our programmes, considering the duration of the programmes being only two years, the cost of the education per student being about half of that for a degree student, (the actual cost per student will be reduced by more than half when we turn self-financing, though the tuition fees for the students will go up by 50%), and that the students enter the programmes with lower academic achievement than that of the degree students. In terms of value-addedness, our AD programmes have high value-addedness.

Weaknesses

- **High direct and indirect costs**
  Our costs are high when compared with those of other self-financing providers. This is due partly to the high on-costs and partly to the staff remuneration package.

- **Disruptions due to varying funding withdrawal schedules**
  As UGC funding will be withdrawn in phases, it will cause disruptions to our AD provision if a smooth transitional arrangement is not made.

- **Lack of a committed campus**
  Compared with other providers, the University has not yet settled with a campus site for running AD programmes when the funding goes. The Kowloon Tong campus is already 30% underprovided with space and it may be difficult for the new academic unit to continue to offer, not to mention to expand, our AD operations unless a good campus site could be found.

- **Rigid and lengthy operating system in response to change**
  The current AD operation system in the College is tall and rigid. It makes quick responses to external environmental changes difficult.

- **Change to market oriented mind-set needed**
  The mind-set of some colleagues is still to be changed to a market oriented approach.

Opportunities

- **Tapping Mainland market**
  We have not yet tapped the Mainland market. A tertiary educational provider is not permitted to offer first degree education in the Mainland, but for sub-degrees, the door has already been opened. Initial approaches to Mainland partners have been made by some of our colleagues and the response is very favorable.

- **Enlarged pool of potential students with change in secondary system**
  It is envisaged that HKCEE and HKAL examinations will merge in the next five to ten years, when the secondary school system is changed to 3 + 3. The pool of students for AD programmes will grow substantially when it happens.

- **AD dovetailed into 4-year Degrees**
  The two-year ADs will fit well into four-year first degree programmes when the degree system changes from 3 years to a 4 year one. Using the AD mechanism, CityU may be the first to substantially convert into the four-year first degree model, when our 2 year AD graduates get into the last two years of .the 4 year degree programmes in our University

- **Filling manpower gap in Associate Professionals**
  As Hong Kong is now moving rapidly to a knowledge based economy, the EMB projected that there will be a manpower shortage at the post-secondary, associate professional level, by 2007. China will soon be fully integrated into the world economy through WTO. As such, more professionals and para-professionals at the AD level are needed for working in Hong Kong, as well as in the Pearl River Delta area, in the coming five to ten years.

- **Potential assets yet to be further realized**
  We have not yet realized fully our potential in the College. In future, we shall form partnership with our faculties, overseas as well as Mainland universities in offering pre-AD, ADs as well as top-up first degrees.

Threats

- **Keen competition**
  Competition from other university providers will be keen. They already have a head-start because we have been, up to now, uncertain in our stance. Post-secondary school students may now be moving to the Mainland for receiving their tertiary educational experience.

- **Uncertainty of site**
  Most of the university providers have already been granted sites for building their campuses. The uncertainty of our future campus site is a direct threat to our existence.

- **Confusion about University intentions and commitment**
  The public is still confused with the various announcements made by our University about whether we shall cease or continue to offer sub-degrees to the public.

- **Varying standards of AD by other providers**
  Other AD providers may offer AD programmes with substantial variations in the quality and standards of graduates, which will derogate the reputation and tarnish the image of AD.

- **Loss of talents and expertise**
  High achiever colleagues may move to our competitors because of the uncertainties in our operations.