

**Progress report on the motion on
“raising the limit of university places for
publicly-funded bachelor’s degree programmes”
moved by Hon Starry LEE Wai-king
at the Legislative Council meeting
on 10 December 2008**

Background

Hon Starry LEE Wai-king moved the motion on “raising the limit of university places for publicly-funded bachelor’s degree programmes” at the Council meeting on 10 December 2008. The motion, as amended by Hon CHEUNG Man-kwong, Hon IP Kwok-him and Hon CHAN Tanya as follows, was endorsed —

“That, the university admission rate in Hong Kong has long been lower than the levels of major countries and regions in Europe, America and Asia, and in the face of competition under globalization and being an international city, Hong Kong must enhance the integrated competitiveness of its population and upgrade the academic qualifications and education level of young people, and in order to match the development of a knowledge-based economy, this Council urges the Government to raise the limit of university places for publicly-funded bachelor’s degree programmes and increase the corresponding student hostel places to allow more students who meet the requirements to enrol in publicly-funded degree programmes, and ease the long-standing shortage of articulation places in bachelor’s degree programmes for sub-degree graduates; while encouraging the provision of more self-financing university places, the Government must at the same time provide reasonable allowances and subsidies to maintain the quality and quantity of degree programmes and alleviate the financial burden of students, with a view to solving the problem of the bottleneck in further studies arising from the corresponding increase in the number of secondary students promoting to universities upon the implementation of the ‘3+3+4’ academic structure; to ensure that students have sufficient financial capability to enrol in publicly-funded bachelor’s degree programmes, this Council also urges the Government to provide interest-free or low interest loans to needy students of degree and sub-degree programmes; and also

- (a) review the existing target that 18% of the relevant age cohort may enrol in publicly-funded bachelor’s degree programmes;

- (b) offer additional tax concessions for donations to universities and encourage individuals and enterprises to make donations to enable universities to have sufficient resources to meet the expenses arising from the increase of university places; and
- (c) review various existing financial assistance and loan schemes for post-secondary students so that more students can afford the expenses for pursuing studies in universities.”

2. This progress report sets out the follow-up actions taken or being taken by the Administration for Members' information.

Increasing publicly-funded undergraduate places

3. In determining the approved student number target for publicly-funded first-year first-degree (FYFD) places in the University Grants Committee (UGC)-funded sector, the Administration will take into account various educational, social and economic considerations. These include, among others, the projected student population of the 17-20 age cohort, the quality of teaching and student intakes, the development of the publicly-funded and self-financing post-secondary sectors, the Government's fiscal position, as well as the manpower requirements and economic development trends of Hong Kong. Currently, the annual government expenditure on higher education exceeds \$10 billion. Any further increase of the number of publicly-funded FYFD places will involve huge amount of public resources. Therefore, we must act prudently with due regard to the needs of the self-financing sector, in order to ensure the sustainable development of the whole higher education sector.

4. In January 2009, the Finance Committee accepted the Administration's proposed recurrent grant for the UGC-funded institutions in the 2009/10 to 2011/12 triennium. Despite the economic uncertainties, the amount represents an increase of 8.7% over the previous triennium, which would help maintain and enhance the quality of higher education.

5. The number of publicly-funded FYFD places will remain stable at the current level in the 2009/10 to 2011/12 triennium. At present, the UGC-funded institutions are preoccupied with the preparatory work for the implementation of the normative four-year degree programme in 2012. We are of the view that keeping the number of FYFD places stable in this triennium will be conducive to the institutions focusing on the preparatory work for the “334” academic structure.

6. On the other hand, the number of publicly-funded senior year undergraduate places in the UGC-funded sector has increased, in phases, from the 2005/06 academic year onwards. In the 2009/10 to 2011/12 triennium, the annual number of senior year intake places will further increase to around 2 000. By then one out of every eight graduates of the UGC-funded institutions will have

progressed through the articulation pathways for sub-degree holders.

Increasing the number of student hostel places

7. We recognise the educational value of hostel life for students and have been striving to provide more hostel places through supporting student hostel projects put forth by the UGC-funded institutions and identifying new sites. At present, two projects are under construction and will provide more than 3 200 publicly-funded hostel places upon completion. In addition, four new project proposals involving a total of 3 400 publicly-funded hostel places for Lingnan University, the City University of Hong Kong, the Hong Kong University of Science and Technology, and the Hong Kong Polytechnic University have been submitted for the Legislative Council's consideration in this legislative year. The construction works are expected to commence in the third quarter of 2009. In addition, the Administration is exploring with UGC-funded institutions other plans to increase the supply of student hostel places (e.g. joint hostel projects).

Initiatives to support the development of the self-financing sector

8. In many developed economies, the self-financing sector plays an indispensable role in the provision of higher education. The robust development of the self-financing sector in Hong Kong in recent years has contributed to a diversified higher education system, thereby enhancing the opportunities for students to receive higher education. This will have a positive impact on the quality and international competitiveness of our population.

9. The Government has introduced a series of initiatives to facilitate the healthy and continuing development of the self-financing sector. For example, the Land Grant Scheme grants sites to post-secondary institutions at nominal premium for the construction of purpose-built campuses; the Start-up Loan Scheme provides interest-free loans to help institutions to provide or enhance teaching and ancillary facilities, including reprovision of existing campus operating in sub-optimal environment; the Quality Enhancement Grant Scheme funds various projects/initiatives by institutions that aim at improving the quality of education. These initiatives will further enhance the quality of self-financing courses. At the meeting of the Panel on Education in May 2009, we proposed to provide loans totalling \$419.344 million to Chu Hai College of Higher Education, HKU SPACE Community College and Hong Kong College of Technology under the Start-up Loan Scheme for the construction of purpose-built campus and refurbishment of vacant premises. We plan to submit the proposal for approval by the Finance Committee on 19 June 2009.

Financial assistance for students

10. It is the Government's policy to ensure that no student will be deprived of

education for lack of financial means. As for the post-secondary sector, various financial assistance schemes have been set up under the Student Financial Assistance Agency (SFAA) to help students meet their tuition fees, academic expenses and living costs, in the form of grants and/or loans. In the 2007/08 academic year, we awarded means-tested grants totalling \$1.3 billion, and granted means-tested loans totalling \$340 million and non-means-tested loans totalling \$950 million.

11. The Government has been continually improving the financial assistance schemes in recent years. For instance, with effect from the 2008/09 academic year, means-tested loans are provided to students pursuing full-time locally-accredited self-financing post-secondary programmes under the Financial Assistance Scheme for Post-secondary Students (FASP) in order to help them meet their living expenses. We have also extended the FASP to cover sub-degree graduates pursuing full-time locally-accredited self-financing degree or top-up degree programmes in Hong Kong.

12. Besides, with a view to helping borrowers who have difficulty in repaying their loans, SFAA has set up a loan deferment mechanism. Individual borrowers who are unable to repay a loan because of financial hardship, further studies or serious illness can apply to SFAA for assistance. SFAA will, on the basis of individual merits, approve deferment of loan repayment. While we do not charge any interest during the approved deferment period in respect of means-tested loans, we charge interest on non-means-tested loans during the deferment period, on the grounds that the non-means-tested loan schemes operate on a no-gain-no-loss basis and on the full-cost-recovery principle.¹

13. The total number of approved deferment cases under both the means-tested and non-means-tested loan schemes in the 2008–09 financial year is around 6 000, with an average approval rate of over 80%.

14. To alleviate the financial burden of needy loan borrowers in the face of economic adversity, we propose to extend the total loan repayment period for a maximum of two years without charging any interest during the approved deferment period. This can relieve the burden of both existing loan borrowers with repayment difficulties, as well as those potential loan borrowers who wish to make use of the student loans to undertake short-term post-secondary programmes lasting one to two years. We plan to seek the approval of the Finance Committee before the close of the current legislative year, so as to ensure that the above relief measures are implemented the soonest possible in the 2009/10 academic year.

¹ Non-means-tested loan schemes are not subject to means test and are unsecured. To ensure the proper use of public money, these schemes are operating on a no-gain-no-loss and full-cost-recovery basis. Interest will be charged on the capital once the loan is drawn down. The current interest rate is 3.599%, which is lower than the interest rate for unsecured loans in the market.

Offering tax concessions for donations to universities in order to meet the expenses arising from the increase of university places

15. As a result of the full implementation of the new academic structure, the tertiary sector will need additional funding. Part of such funding will come from tuition fees, and the Government will also increase its recurrent subventions to the tertiary institutions. Besides, the UGC will make a one-off provision of about \$550 million to its funded institutions to prepare for such matters as curriculum redevelopment and revision of admission procedures.

16. All local universities are entitled to exemption from tax under section 88 of the Inland Revenue Ordinance (Cap. 112). A donation made to a university in Hong Kong is recognised as a charitable donation and qualifies for tax deduction. From the year of assessment 2008-09 onwards, the ceiling for tax deductible donations has been raised from 25% to 35% of assessable income or profits. We believe that raising the ceiling for tax deductible donations can encourage individuals and enterprises to be more generous in making donations to recognised charitable organisations (including universities).

17. The Government's Fourth Matching Grant Scheme (MGS) was completed in February 2009. During the operation of the Fourth MGS, the eight UGC-funded institutions as well as the Hong Kong Shue Yan University and the Open University of Hong Kong secured donations totalling over \$2.1 billion, and the maximum matching grant of \$1 billion has already been awarded to the institutions. The Government will conduct a review of the effectiveness of the MGS.

Education Bureau

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