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Finance Committee of the Legislative Council

**Minutes of the 21st meeting
held at the Legislative Council Chamber
on Friday, 5 February 2010, at 3:00 pm**

Members present:

Hon Emily LAU Wai-hing, JP (Chairman)
Prof Hon Patrick LAU Sau-shing, SBS, JP (Deputy Chairman)
Hon Albert HO Chun-yan
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Hon LEE Cheuk-yan
Hon Fred LI Wah-ming, SBS, JP
Dr Hon Margaret NG
Hon James TO Kun-sun
Hon CHEUNG Man-kwong
Hon CHAN Kam-lam, SBS, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP
Hon LEUNG Yiu-chung
Dr Hon Philip WONG Yu-hong, GBS
Hon WONG Yung-kan, SBS, JP
Hon LAU Kong-wah, JP
Hon Miriam LAU Kin-yee, GBS, JP
Hon Andrew CHENG Kar-foo
Hon TAM Yiu-chung, GBS, JP
Hon Abraham SHEK Lai-him, SBS, JP
Hon LI Fung-ying, BBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Hon Audrey EU Yuet-mee, SC, JP
Hon WONG Kwok-hing, MH
Hon LEE Wing-tat
Dr Hon Joseph LEE Kok-long, SBS, JP
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon CHEUNG Hok-ming, GBS, JP

Hon WONG Ting-kwong, BBS, JP
Hon CHIM Pui-chung
Hon KAM Nai-wai, MH
Hon Cyd HO Sau-lan
Hon Starry LEE Wai-king
Dr Hon LAM Tai-fai, BBS, JP
Hon CHAN Hak-kan
Hon Paul CHAN Mo-po, MH, JP
Hon CHAN Kin-por, JP
Dr Hon Priscilla LEUNG Mei-fun
Hon CHEUNG Kwok-che
Hon WONG Sing-chi
Hon WONG Kwok-kin, BBS
Hon IP Wai-ming, MH
Hon IP Kwok-him, GBS, JP
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Dr Hon PAN Pey-chyou
Hon Paul TSE Wai-chun
Dr Hon Samson TAM Wai-ho, JP

Members absent:

Dr Hon David LI Kwok-po, GBM, GBS, JP
Hon LAU Wong-fat, GBM, GBS, JP
Hon Timothy FOK Tsun-ting, GBS, JP
Hon Tommy CHEUNG Yu-yan, SBS, JP
Hon Vincent FANG Kang, SBS, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Ronny TONG Ka-wah, SC
Dr Hon LEUNG Ka-lau

Public officers attending:

Professor K C CHAN, SBS, JP	Secretary for Financial Services and the Treasury
Mr Stanley YING, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Ms Bernadette LINN, JP	Deputy Secretary for Financial Services and the Treasury (Treasury)1
Ms Elsie YUEN	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mrs Marigold LAU LAI Siu-wan, JP	Director of Architectural Services

Mr Wilson LEE Hung-wai	Project Director 3, Architectural Services Department
Mr Donald CHOY Chi-mun	Assistant Director (Leisure Services)3, Leisure and Cultural Services Department
Mr LEE Yuk-man	Assistant Director (Libraries and Development), Leisure and Cultural Services Department
Mr Peter KAN Tat-sing	Chief Executive Officer (Planning)2, Leisure and Cultural Services Department
Mr Kenneth CHEN Wei-on, JP	Under Secretary for Education
Mrs Alice CHEUNG CHIU Hoi-yue	Principal Assistant Secretary (Education Infrastructure), Education Bureau
Mr SHE Mang	Chief Curriculum Development Officer (Information Technology in Education), Education Bureau
Ms Michelle LI Mei-sheung, JP	Deputy Secretary for Education (1), Education Bureau
Mr Daniel CHENG Chung-wai	Principal Assistant Secretary (Further Education), Education Bureau

Clerk in attendance:

Mrs Constance LI	Assistant Secretary General 1
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Staff in attendance:

Ms Anita SIT	Chief Council Secretary (1)5
Miss Joanne FONG	Senior Council Secretary (1)7
Mr Frankie WOO	Senior Legislative Assistant (1)3
Ms Christy YAU	Legislative Assistant (1)1

Action

Item No. 1 - FCR(2009-10)50

**RECOMMENDATIONS OF THE ESTABLISHMENT SUBCOMMITTEE
MADE ON 13 JANUARY 2010**

The Chairman put the item to vote. The Committee approved the proposal.

Item No. 2 - FCR(2009-10)51

**RECOMMENDATIONS OF THE PUBLIC WORKS SUBCOMMITTEE
MADE ON 7 JANUARY 2009 AND 20 JANUARY 2010**

2. The Chairman advised that item PWSC(2008-09)56, which was endorsed by the Public Works Subcommittee (PWSC) on 7 January 2009, was a re-submission to the Finance Committee (FC). The item would be discussed and voted on separately.

3. The Chairman put the remaining items under FCR (2009-10)51 to vote. The Committee approved the items.

**PWSC(2008-09)56 49RG Public library and indoor recreation centre
in Area 3, Yuen Long**

4. The Chairman advised that this item sought to upgrade 49RG to Category A for the construction of a public library and indoor recreation centre in Area 3, Yuen Long. When the proposal was considered at the FC meeting on 13 February 2009, some members expressed concern about the impact of the project on residents in the vicinity, and requested the Administration to conduct further consultation with the residents concerned. The Administration withdrew the proposal at the meeting, and subsequently, conducted further consultation with the residents in the vicinity and the Yuen Long District Council (YLDC). While the project scope remained the same, the project estimate had been adjusted downwards from \$875.0 million to \$704.1 million (in money-of-the-day prices) due to the drop in market tender prices for building projects since the previous submission. Details of the Administration's further consultation with relevant parties and the revised project estimate had been circulated to PWSC members and set out in Enclosure 2 to FCR(2009-10)51.

5. Mr TAM Yiu-chung said that Members belonging to the Democratic Alliance for the Betterment and Progress of Hong Kong supported the proposal, but considered that the Leisure and Cultural Services Department (LCSD) had indeed taken too long to make a re-submission to FC. Mr TAM further said that while he welcomed a reduction in project cost in this re-submission, LCSD and the relevant bureau should in future conduct proper consultation with affected residents before submitting their proposals to PWSC and FC.

6. Assistant Director (Leisure Services)3, LCSD explained that apart from the Incorporated Owners of Crystal Park (IOCP), the Administration had also taken time to consult other stakeholders on the IOCP's suggestions offered at different stages of the consultation process. Director of Architectural Services (DArchS) supplemented that the Architectural Services Department (Arch SD) was supportive of LCSD conducting thorough consultation with the affected residents. In the process,

Action

Arch SD had also taken time to study the various suggestions from the residents on the design of the project building.

7. Mr WONG Kwok-hing expressed support for the proposal and appreciation for the Administration's efforts in conducting thorough consultation with the affected residents and the District Facilities Management Committee (DFMC) of YLDC. He considered that in the past year, the affected residents had adequately reflected their views and the Administration had strived to address the concerns raised, although no consensus could be reached on the design and site boundary of the project building. Mr WONG called on the Administration to expedite the delivery of the project to make up for the time lost.

8. Ms LI Fung-ying said that the affected residents had expressed much concern that the proposed building was too close to their residence, and asked if any measures had been taken to alleviate such concern. Project Director 3, Arch SD (PD3, Arch SD) advised that some residents might have misunderstanding about the proposed conceptual design of the project building. Referring members to Annex 2 of FCR(2009-10)51 and a drawing he brought to the meeting, he explained that the portion of the project building closest to the fence wall of Crystal Park at ground level was about one metre in length while the distance between the external wall of the project building and the nearest residential blocks of Crystal Park was actually 11 and 18 metres respectively. The height of the project building was restricted to five storeys (which was about 35 metres) so as to minimize any possible screening effects on Crystal Park (which was about 95 metres in height). Arch SD had also made use of a model to explain the design to the affected residents, and they had no objection to the design.

9. Ir Dr Raymond HO said that he welcomed the provision of municipal facilities projects, but was disappointed that the Administration's submissions often failed to effectively illustrate the special features of individual projects. He urged the Administration to provide more detailed layout plans together with sectional diagrams, to enable members and the public to assess the impacts of the proposed projects. He also hoped that there would be more creative designs for public works projects.

10. DArchS took note of Ir Dr HO's views and agreed to provide more detailed drawings on public works projects in future submissions as appropriate. Secretary for Financial Services and the Treasury also undertook to convey Ir Dr HO's suggestions to the relevant bureaux and departments.

11. Mr WONG Kwok-hing and Mr KAM Nai-wai concurred with Ir Dr Raymond HO. They requested Arch SD to provide physical models for large-scale public works projects to enable PWSC and FC members to better understand the effects of the proposed buildings.

12. DArchS advised that models of public building projects might be made after funding had been approved and the tendering process completed. PD3,

Arch SD advised that for some cases, only study models would be made for internal discussion purposes. Nevertheless, they took note of members' suggestion of presenting design models to facilitate consultation as deemed necessary.

13. Mr KAM Nai-wai said that it was disappointing that no improvement had been proposed in the re-submission to the design of the proposed building. He queried why the project building could not be moved westwards towards the Yuen Long Theatre, as the present site was too close to Crystal Park.

14. Chief Executive Officer (Planning)2, LCSD explained that the Administration had held two public consultation sessions with the affected residents, including those of Yee Hong Building, Crystal Park and Ma Tin Tsuen, and had received written views from the affected residents. During the consultation, the residents of Crystal Park suggested shifting the proposed building to the west by three metres. However, residents of Yee Hong Building and Ma Tin Tsuen raised objection to IOCP's proposal on the ground that it would seriously affect air ventilation and would block the views of Yee Hong Building residents. These views had been conveyed to the DFMC of YLDC. After deliberation, DFMC endorsed early implementation of the project with minor modifications to the external design while maintaining the original site boundary.

15. Mrs Regina IP acknowledged the concerns expressed by the residents, but agreed that there was a pressing need to provide the proposed library and recreational facilities in the district. She asked whether LCSD had clearly explained the project to the residents and whether they supported the provision of the proposed facilities. Assistant Director (Libraries and Development), LCSD (AD(LD), LCSD) responded that the Administration had made efforts to explain the proposed project to the affected residents and they welcomed the proposed facilities.

16. Mr CHEUNG Hok-ming said that having regard to the views expressed by YLDC that the Administration should implement the project as early as possible in accordance with the design endorsed by the DFMC, he agreed that the Administration should now focus on the mitigation measures to minimize noise and other environmental impacts during and after construction. Mr CHEUNG informed members that presently, Ma Tin Tsuen residents had no objection to proceeding with the project.

17. Referring to the drawing shown by PD3, Arch SD, the Chairman asked if the narrow passageway shown in the drawing was actually a fire exit or pedestrian path. She queried why the diagrammatic illustration of the same passageway in Annex 5 showed a wider distance. PD3, Arch SD replied that the drawing only showed the area near the external wall of the project building, and not the exact distance between the project building and the residential blocks of Crystal Park. Owing to site restrictions, it was not feasible to widen the distance, but greening features would be put in place to minimize the impact of the project building.

Action

18. Mrs Sophie LEUNG said that she supported the proposal in view of the pressing need for library and recreational facilities in the district. However, she criticized that the proposed conceptual design of the project building looked like a spacecraft and was not in harmony with the neighbourhood. PD3, Arch SD responded that according to the project scope, the proposed project building would include a district library and an indoor recreation centre, and there were space constraints at the present site in accommodating all these facilities. Mrs Sophie LEUNG called on the Administration to pay due regard to the visual impact of the proposed buildings and the importance of harmonization with the environment.

19. Prof Patrick LAU commented that public architecture/buildings required careful planning and that these structures/buildings should integrate well with the surrounding area. It was also important to engage the public during the design process, including soliciting views from the relevant District Councils. In this respect, physical models of the proposed projects would be useful for facilitating public engagement.

20. Mr KAM Nai-wai asked whether the external wall facing Crystal Park could be greened from the ground level to the roof. PD3, Arch SD advised that since there were windows at the library and indoor recreation centre levels, it might not be possible to apply greening features at these levels. Nevertheless, Arch SD would work with the consultant architect to apply as much greening as possible at the external wall of the project building, so that the Crystal Park residents would find it more acceptable.

21. Ms LI Fung-ying pointed out that despite the height restriction of 35 metres of the project building, the residents of the lower levels of Crystal Park would still be affected. She urged Arch SD to follow up IOCP's concerns vigilantly during construction. DArchS said that Arch SD noted the concerns of the affected residents, and would ensure that those concerns would be addressed in the tender documents for the contractor to follow.

22. Mr IP Kwok-him considered it inappropriate to revise the design of the project at this late stage, since there had been adequate discussions of the concerns and views of the affected residents at the YLDC. He was of the view that FC should now focus on the implementation of the project and the mitigation measures for minimizing the impact on affected residents. He requested the Administration to provide adequate channels for residents to express their views on the mitigation measures. The Chairman also urged the Administration to actively follow up members' views and address the residents' concerns. DArchS reiterated that the Administration would incorporate the mitigation measures into the tender documents and closely monitor the contractor's compliance with the requirements.

23. Ms Audrey EU asked whether the Administration would provide an enquiry hotline during construction and make sure that any such enquires would be followed up. DArchS advised that there was a 24-hour hotline for the public to make

Action

enquiries/complaints on public works projects. The hotline number would be posted conspicuously on a signboard set up at the construction site.

24. Ms Audrey EU further asked if the Administration would, in this case and in the long run, consider setting up a compensation mechanism for people affected by the construction of public facilities. Such compensation could be in the form of reduction in rates payment or fee concessions for the use of public facilities. DArchS responded that she would relay Ms EU's suggestion to the relevant bureau for consideration.

25. In response to Mrs Regina IP, AD(LD), LCSD said that Internet access service was included in the design of the project. Wi-Fi services were currently provided in the 66 public libraries in Hong Kong, and would also be provided in the library under this project.

26. The Chairman put the item to vote. The Committee approved the proposal.

Item No. 3 - FCR(2009-10)52

**HEAD 156 – GOVERNMENT SECRETARIAT :
EDUCATION BUREAU**

Subhead 700 General non-recurrent

New Item "Promotion of e-Learning in the school sector"

Subhead 700 General non-recurrent

Item 913 Implementation of the third strategy on information technology in education

27. The Chairman advised that the proposal sought to create a new commitment of \$128 million for the promotion of e-Learning in the school sector, and an increase of \$12 million to \$52 million in the approved commitment for strengthening and expediting the development of the Depository of Curriculum-based Learning and Teaching Resources (the Depository) in the implementation of the third strategy on information technology in education. The Panel on Education had been consulted on the proposals at its meeting on 14 December 2009.

28. Ms Cyd HO, Chairman of the Panel on Education, reported that the Panel had discussed and supported the recommendations in the report of the Working Group on Textbooks and e-Learning Resources Development (WG), including the "debundling" policy for the pricing of textbooks and teaching and learning resources with effect from the 2010-2011 school year. Panel members requested the Administration to provide additional funding to schools for purchasing teaching and learning resources and providing subsidies to students from low-income families so that they would be given equal learning opportunities. Panel members had no

Action

objection to the Administration's submitting the proposal to FC for consideration. The Panel would be receiving views of textbook publishers on 8 February 2010 on the pricing of textbooks and development of e-Learning in the school sector.

Assistance to low-income families

29. Acknowledging that learning through electronic technology was a world-wide trend, Mr IP Wai-ming expressed concern that students from low-income families might not have computers at home to benefit from e-Learning. He suggested providing these students with appropriate computer hardware and software, as well as Internet access service to facilitate their e-Learning.

30. Under Secretary for Education (USED) responded that the Administration had adopted the following measures to narrow the digital divide –

- (a) under the current "Computer Recycling Programme", about 21 000 families would be provided with refurbished computers and one-year free Internet access service. The Administration was negotiating with Internet service providers on the offer of concessionary service fees to the beneficiaries even after the programme;
- (b) the Financial Secretary was leading a team to coordinate the efforts of relevant bureaux in examining, through tripartite collaboration between the community, the business sector and the Government, options to provide convenient and suitable Internet learning opportunities for students in need. Both the Education Bureau (EDB) and the Labour and Welfare Bureau participated in the initiative; and
- (c) at the school level, the Administration granted recurrent subsidies to all primary and secondary schools to encourage them to make available computer rooms and facilities for use by needy students after school. Computing facilities, Internet access and technical support were also provided in all public libraries and some other community facilities.

31. While concurring that e-Learning could enhance interactive teaching and learning, Ms Cyd HO expressed concern that it would add financial burden on low-income families. She considered it inadequate for the Financial Secretary to only undertake a coordinating role to negotiate with the business sector for concessionary Internet service fees for the needy students. She urged the Administration to provide a recurrent grant to needy students for Internet access service, similar to the grants provided under the School Textbook Assistance Scheme, and to provide additional funding to schools in the promotion of e-Learning.

Action

32. Ms Audrey EU expressed concern that the present proposal only focused on the provision of e-Learning resources to schools and teachers, without addressing the financial needs of students from low-income families. She opined that Internet access was a basic need for school children in the pursuit of studies nowadays.

33. USED responded that he would convey to the Financial Secretary members' views on providing financial assistance to students from low-income families in the pursuit of e-Learning.

Copyright of e-Learning resources

34. Mr IP Wai-ming enquired about the copyright of the e-Learning resources. USED advised that under the existing copyright laws, user teachers were in general protected in their use of printed and electronic materials for teaching purposes, and the copyright holders/publishers had the legitimate right to invest in the development of software relating to online e-Learning resources. In the long run, the Government's policy was to rationalize the pricing of e-Learning resources, and the Administration would explore commercially viable operation models for the development of e-Learning resources and/or e-platforms by promoting collaboration among schools, tertiary institutions and the IT and publishing sectors.

35. Ms Cyd HO expressed concern that the charging of high copyright fees by publishers/copyright holders would further burden the parents financially, and urged the Administration to liaise with the sector for a better package. USED responded that under the current practice of e-commerce, e-content providers such as e-newspapers and e-advertisements did not necessarily charge fees on users. For the proposed e-platform to be set up by the Hong Kong Education City (HKEdCity), negotiation with publishers to waive the copyright fees on the e-platform would be made, and the Administration would also continue to encourage the development of various operation models with a view to rationalizing the prices of e-Learning resources through market competition.

36. Ms Audrey EU enquired about the "in-depth studies on the copyright of e-Learning resources" to be undertaken by the Administration, as mentioned in the Administration's paper, and the expenditure required for conducting the studies. USED replied that considering the unpredictability in the development of intellectual property, and the rising trend in the sharing of resources on the Internet, the Administration would conduct studies on the open source concept for the use of e-Learning resources. The Administration would also strengthen its work in promoting the awareness of the academic sector and the public on copyright issues. EDB would absorb the work from within existing resource provisions.

School textbooks vis-à-vis e-Learning resources

37. Mrs Regina IP asked how the promotion of e-Learning in the school sector could address parents' concerns about the price, frequent change of edition, quality

Action

and weight of textbooks. She also asked if approval was required for uploading the e-Learning materials. USED responded that the development of online teaching resources was not limited to promoting a change in the teaching and learning contents. Apart from aiming to shift the paradigm in school education from the textbook-based and teacher-centred mode to a more interactive learner-centred mode, the initiative also intended to sharpen teachers' teaching skills in bringing about the change. As regards the issue of frequent revision of textbooks and the subsequent burdening of parents, USED said that unlike the textbook review mechanism of the Recommended Textbook List, a flexible approach would be adopted in relation to content revision in an e-environment. Considering the convenience of instantaneous and continuous revision of subject contents and sharing of teaching experience among teachers through the online platform, the Administration did not see the need to introduce a review mechanism for the e-Learning resources at the moment.

38. Mr CHEUNG Man-kwong said that he was in favour of debundling textbooks from complimentary teaching and learning resources in order to reduce textbook prices. However, as some schools might then lack resources for purchasing teaching materials, he suggested that the Administration should consider providing subsidies to schools for this purpose. He said that Members belonging to the Democratic Party would abstain from voting on the item.

39. USED responded that provisions had already been made under the recurrent allocations for schools to purchase teaching materials. For example, a school with 29 classes was provided with a \$5.7 million block grant, of which about \$340,000 was IT subsidy and about \$200,000 was subsidy for subject and curriculum development. Schools could deploy the latter subsidy for purchasing teaching materials. The Administration would closely monitor the situation, and would seek additional funding if schools had genuine financial difficulties in purchasing teaching materials.

40. Ms Cyd HO expressed grave concern about the culture of schools receiving gifts, donations and promotional items from textbook publishers, as this added to the costs of textbooks which would be passed onto parents. She considered that EDB should prohibit acceptance of promotional items and sponsorships/donations from textbook publishers by schools. The Chairman asked whether the Administration would issue guidelines to schools in this regard. USED advised that to reduce textbook prices, circulars/guidelines had been issued by the Textbook Committee to schools that they were not allowed to solicit free teaching/learning materials, including promotional items, from textbook publishers.

41. Ms Starry LEE shared the concern that the high textbook prices had added burden on families. She asked how the current proposal would impact on the pricing of textbooks. USED responded that the current proposal was mainly about the promotion of e-Learning in the school sector, and the support for building up an environment that was conducive to e-Learning within schools and in the community. WG would continue to deal with issues relating to the pricing of textbooks, and it had

recommended the debundling of pricing of textbooks and teaching/learning materials, and the revision of "three-year rule of no revision" to "five-year rule of no revision".

42. Mrs Sophie LEUNG declared that she was a member of WG. She advised that WG also comprised Mr SIN Chung-kai (a former Member of the Legislative Council), pioneers of the education sector, school principals and textbook publishers. WG was of the view that Hong Kong could not afford falling behind the world-wide trend of using e-Learning resources for the younger generations despite the many obstacles in the implementation process. By promoting e-Learning and relevant support measures, WG aimed to effect a change in the learning mode of students from teacher-driven to a more interactive learner-centred mode, and to provide teachers with more choices of teaching materials. The development of e-Learning resources was also an effective means to address the problem of frequent revision of textbooks. On the business front, the payment gateway facility and the copyright protection measures would provide impetus for the IT sector to participate in the business. She opined that the development of e-Learning resources should proceed expeditiously and should not be hampered by issues relating to the provision of subsidies to needy students and families, as these could be dealt with separately. USED thanked Mrs LEUNG for her views and expressed appreciation for WG's work on issues relating to textbooks and e-Learning resources development.

Depository of Curriculum-based Learning and Teaching Resources

43. Responding to the enquiry of Mrs Regina IP about the six key learning areas (KLAs) in the Depository for Primary 1 to Secondary 3 levels, Principal Assistant Secretary (Education Infrastructure) explained that the objective of the Depository was to provide teachers with online teaching resources to facilitate the implementation of e-Learning, and to save teachers' time in searching for relevant resources from the Internet. The Depository, developed by EDB, collected free resources, both online and printed, provided by local and overseas government organizations, tertiary institutions, schools and non-profit-making organizations, etc. The resources were selected and organized into thematic units based on the local curriculum framework, with teaching suggestions as well as user guides. The development of the Depository for primary levels, which included the KLAs of Chinese Language, English Language, Mathematics and General Studies, had started and was progressing well.

Ocular health of students in the e-Learning environment

44. Mr CHEUNG Man-kwong expressed concern about the possible impact on students' health, especially their eyes, due to prolonged use of computer. USED responded that advice from eye specialists was that reading on the computer monitor for a long time had the same effect as reading books at length. In both cases, it required regular relaxation of the eye balls to maintain ocular health. The Administration would, through implementation of various awareness programmes,

provide advice and support to teachers, parents and students to help them understand more about the measures to protect their eyes.

Hong Kong Education City website

45. Noting that many e-platforms for transaction of e-Learning resources were already available, Ms Starry LEE questioned the need for setting up another e-platform by the HKEdCity, which was a wholly-owned company of the Government. USED replied that HKEdCity website was set up during the First IT in Education Strategy, with the goal of promoting e-Learning through the establishment of an e-platform. As a positive response to the request of the IT sector and publishing industry in promoting the development of the e-Learning market, the proposed e-platform to be developed by the HKEdCity would have additional features to address digital rights management issues and to provide the necessary payment gateway facility. He also confirmed that e-services on the HKEdCity website were provided free of charge for use by parents, teachers and students.

Selection of schools in the pilot scheme on e-Learning

46. On the pilot scheme on e-Learning in schools, Ms Audrey EU enquired about the criteria for selecting the 20 to 30 participating schools, the amount of funding to be allocated to each of these schools, and the expected deliverables from these schools. USED replied that interested schools would be required to submit school-based proposals to implement e-Learning to enhance the effectiveness of learning and teaching. While schools may submit proposals on their own, they could also form school clusters and submit joint applications. Selection would be based on the merits of individual proposals. The selection criteria included, inter alia, sustainability of the development of pedagogical practices on e-Learning and the outcomes of student learning experience. On average, each participating school would receive a grant of about \$2 million.

47. The Chairman put the item to vote. The Committee approved the proposal.

Item No. 4 - FCR(2009-10)53

LOAN FUND

HEAD 252 – LOANS TO SCHOOLS/TEACHERS

Subhead 106 Start-up loan for post-secondary education providers

48. The Chairman advised that this item was to seek an increase of \$2,000 million to \$7,000 million in the commitment for the start-up loan for post-secondary education providers, and an extension of the loan repayment period from no more than ten years to no more than 20 years for institutions borrowing loans after May 2008 for constructing new college premises, subject to proven financial difficulties, payment of

Action

the first five repayment instalments and interest at the no-gain-no-loss rate after the interest-free period in the first ten years. The Panel on Education had been consulted on the proposal at its meeting on 14 December 2009.

49. Ms Cyd HO, Chairman of the Panel on Education, reported that Panel members had different views on the proposal of increasing the commitment for the Start-up Loan Scheme (SLS). Some members expressed support for the development of the self-financing higher education sector as this would provide more education opportunities and a wider range of choices for local students. A number of members, however, considered that the Administration should give priority to solving the problem of insufficient places at publicly-funded tertiary institutions for local students who met the admission requirements of university education and the high tuition fees of the degree programmes provided by self-financing education providers. Some Panel members queried that the five sites identified for the development of private universities were too small to attract quality Mainland and overseas students, and that shortage of boarding facilities would hinder the development of the self-financing higher education sector.

50. Mrs Regina IP commented that the Administration's paper only touched on the technical aspects without addressing the policy issues on the development of self-financing higher education. She queried that the Government was evading its responsibility for providing more publicly-funded education places for local students by turning to develop self-financing higher education. The average university student unit cost for a three-year degree programme would be around \$200,000. She was concerned whether an average family could afford the tuition fees to be charged by the self-financing degree-awarding institutions.

51. USED advised that substantial public resources were put into education, and the present proposal sought to facilitate the development of a self-financing higher education sector through the provision of start-up loans for interested institutions to develop college premises on the potential sites. As announced by the Chief Executive in his 2009-2010 Policy Address, "education services" was one of the six priority industries that the Government aimed to promote and develop. As Hong Kong has a unique business and language environment, renowned overseas institutions and students could be attracted to Hong Kong. The development of Hong Kong's education services would help amass a pool of talents to support the development of a diversified economy in the long run. The Government had no doubt that the self-financing higher education sector was important in the provision of education services and would enhance the opportunities for students to pursue higher education. The current annual tuition fee for a publicly-funded bachelor degree was \$42,100, and those for master and professional degrees were higher. The tuition fees for self-financing degree programmes were determined by the education institutions offering the programmes based on the contents of the programme offered, prevailing market conditions and other relevant factors.

Action

52. Deputy Secretary for Education (1), EDB (DS(Ed)1) added that the current annual tuition fees for self-financing degree programmes in private universities ranged from some \$60,000 to \$100,000, which were determined mainly according to the operating costs. Students pursuing full-time publicly-funded or self-financed post-secondary programmes were eligible to apply for the grants and loans under the relevant student financial assistance schemes of the Government.

53. Mrs Regina IP asked if the Administration would consider increasing the loan amounts and lowering the interest rate of the loans to students. DS(Ed)1 replied that student financial assistance was provided in the form of grants and loans. The tuition fee expenses of eligible students could be covered by grants which required no repayment. About 30% of students who had enrolled on self-financing post-secondary programmes benefited from the student financial assistance schemes.

54. Mr CHEUNG Man-kwong expressed concern about the quality of the self-financing degree-awarding institutions to be developed on the potential sites. Since tuition fees were the main source of revenue of these institutions and to ensure the quality of the programmes they offered, he suggested the Government issue vouchers in the amount of, say, \$50,000 (which was about the unit cost of government subsidies for a post-secondary student) to students who met the minimum admission requirements of publicly-funded institutions but were not admitted to these institutions, to cover part of the tuition fees of the programmes offered by the self-financing institutions.

55. Ms Cyd HO shared the view that the Administration should provide subsidy to those students who had attained the minimum qualification for university admission but were not offered publicly-funded degree places to pursue self-financing degree programmes. She considered that it was too great a financial burden for average families to pay the high tuition fees of those degree programmes.

56. In response, USED advised that the average government funding of some \$200,000 for each university undergraduate included also the research funding from the University Grants Committee. It was not practical to make a direct comparison on tuition fee levels between publicly-funded institutions and self-financing institutions, since different institutions had different cost structures and offered different programmes. As regards the long-term development of the higher education sector, it was an inevitable trend for the Government to foster the development of the self-financing higher education sector. The present proposal was just one step to support such development through the provision of land and start-up loans. The Administration had no plan to introduce a voucher scheme as a measure to support the development of the self-financing higher education sector.

57. Mr CHEUNG Man-kwong asked whether the no-gain-no-loss rate of 2.099% charged on the loans offered under the SLS was the same rate applied to the loans for full-time post-secondary students. DS(Ed)1 advised that the student financial assistance schemes covered two types of schemes, namely, the means-tested

Action

grant and loan schemes, and the non-means-tested loans scheme (NLS). For loans under the NLS, a 1.5% risk adjustment factor was charged on top of the no-gain-no-loss interest rate to cover the risk of possible loss to the Government due to non-repayment of the loans. The no-gain-no-loss rate was subject to revision from time to time. The Administration would closely monitor the situation of the student financial assistance schemes and review the related arrangements and policies as necessary.

58. Mr CHEUNG Man-kwong requested the Administration to undertake that the no-gain-no-loss interest rate charged on students pursuing full-time self-financing post-secondary programmes would not be higher than that applied to institutions under the SLS. Permanent Secretary for Financial Services and the Treasury (Treasury) clarified that there was only one single no-gain-no-loss rate, which was calculated on the basis of a formula, for universal application by Government bureaux and departments. The current rate in use was 2.099% as of December 2009. In the case of the student financial assistance loan schemes, his understanding was that the no-gain-no-loss rate was applied together with the 1.5% risk adjustment factor.

59. Ms Cyd HO asked if the risk adjustment factor would be subject to revision from time to time, as in the case of the no-gain-no-loss rate. DS(Ed)1 replied that it had been maintained at 1.5% since the inception of the policy. As the no-gain-no-loss rate had reduced from some 6% to the current 2.099%, Ms HO queried why the risk adjustment factor was still maintained at the same level. She did not consider that the risk adjustment factor should be imposed as it would add burden to those students who were repaying their loans according to schedule. She urged the Administration to think of other means to recover defaulted loans.

60. In response, USED said that he noted the views and concerns of members about the student financial assistance schemes. He explained that various student financial assistance schemes were in place to support students pursuing self-financing post-secondary programmes in meeting their tuition fees and academic and basic living expenses. Overall, some 30% of the students (i.e. about 18 000) enrolled in self-financing post-secondary programmes were benefiting from the student financial assistance schemes.

61. Noting that the extension of the loan repayment period under the SLS was subject to interest payment at no-gain-no-loss rate after the initial ten-year interest-free period, Ms Cyd HO expressed concern that in the case of Chu Hai College of Higher Education, without prospective significant increase in the number of students, the College would likely increase the tuition fees of its programmes to cover the interest of the start-up loan for the construction of the new campus and the increased operation costs. Ms HO considered that the Government should provide a one-off grant rather than a start-up loan to the College, so that the interests of its students would not be jeopardized due to the need to repay the start-up loan. USED responded that the number of students of the College was expected to increase with the commissioning of the new campus. Principal Assistant Secretary (Further

Action

Education), EDB supplemented that the College planned to increase its student enrolment from the current 1 000 to about 4 000 after the commissioning of the new campus.

62. Mr WONG Kwok-hing expressed support for the development of "education services" as one of the six priority industries as announced in the 2009-2010 Policy Address of the Chief Executive. Pointing out that the Secretary for Education had undertaken not to undermine the opportunities of local students for receiving tertiary education with the development of the education services industry, Mr WONG asked how the Administration would help those local students who were denied admission into publicly-funded tertiary institutions due to insufficient publicly-funded degree places and subsequently admitted to private universities charging high tuition fees.

63. While noting Mr WONG Kwok-hing's concern about the education needs of local students, USED stressed that the increase in publicly-funded degree places would necessitate increase in the recurrent expenditure of the Government. Active measures were now being taken to enhance the education opportunities of local students and provide them with more choices by developing the self-financing higher education sector through the allocation of sites for development of self-financing degree-awarding institutions and the provision of start-up loans to these institutions. It was envisaged that the financial commitment of \$2,000 million under the current proposal would bring about 9 000 to 10 000 additional degree places.

64. At 4:59 pm, the Chairman advised that as a number of members had registered to speak on the item, the Committee would continue the discussion at the next meeting starting at 5:05 pm of the same day.

65. The meeting was adjourned at 5:00 pm.