

# 立法會 *Legislative Council*

LC Paper No. CB(2)974/10-11(02)

Ref : CB2/PL/ED

## **Panel on Education**

**Background brief prepared by the Legislative Council Secretariat  
for the meeting on 14 February 2011**

### **Development of self-financing post-secondary education**

#### **Purpose**

This paper summarizes the concerns of the Panel on Education ("the Panel") about the development of self-financing post-secondary education.

#### **Background**

2. In response to the global financial tsunami, the Chief Executive established in October 2008 the Task Force on Economic Challenges ("TFEC"). Members of the TFEC comprised government officials, finance experts, economists and representatives of major industries. One of the major objectives of the TFEC was to identify economic areas which had great development potential and comparative advantages.

3. After its Fourth Meeting held on 3 April 2009, the TFEC proposed six economic areas where Hong Kong enjoyed clear advantages as the priority areas for focused study. These were education services; medical services; testing and certification services; environmental industries; innovation and technology; and cultural and creative industries.

4. In his 2009-2010 Policy Address, the Chief Executive announced that the objective of developing education services was to enhance Hong Kong's status as a regional education hub, thereby boosting Hong Kong's competitiveness and complementing the future development of the Mainland through internationalization of schools and institutions and diversification of the

education sector. The Administration would explore the possibility of allowing Mainland students to pursue studies in non-local courses at degree level or above in Hong Kong; continue to identify more suitable sites to facilitate the development of self-financing degree-awarding institutions; take advantage of the new policy on revitalizing industrial buildings to enable institutions to run self-financing programmes; and provide loans to help institutions meet the costs of purpose-built accommodation and facilities.

5. In his 2010-2011 Policy Address, the Chief Executive stated that the Government would continue to promote the development of education services, enhance Hong Kong as a regional education hub and provide multiple and flexible pathways for the young people. To provide more diversified study pathways for young people, the Administration would adopt a two-pronged strategy of promoting the parallel development of the publicly-funded sector and the self-financing sector. For the publicly-funded sector, the Administration proposed to increase publicly-funded first-year-first-degree places to 15 000 for each cohort from the 2012-2013 academic year. The number of University Grants Committee ("UGC")-funded senior year undergraduate places would be doubled to 8 000 per annum (i.e. around 4 000 intakes) by phases starting from the 2012-2013 academic year with a view to providing meritorious sub-degree graduates with more opportunities for articulation to the last two years of an undergraduate programme under the New Academic Structure. For the self-financing sector, the Administration proposed to establish a Self-financing Post-secondary Education Fund with a total commitment of \$2.5 billion to provide stable and sustainable resources for the sector's long-term development. The investment income from the Fund could be used to set up various schemes including the Government Scholarship Fund Scheme for the Self-financing Post-secondary Sector, Quality Enhancement Support Scheme and Quality Assurance Support Scheme to enhance the quality of post-secondary education. Upon full implementation of these new initiatives, the Administration estimated that over 30% of the young people in the relevant age group would have the chance to study publicly-funded or self-financing degree programmes. Including sub-degree places, young people attending local post-secondary programmes would account for about 65% of the age group.

### **Deliberations of the Panel**

6. The Panel discussed issues relating to self-financing post-secondary education in the context of considering the development of education services, the proposals under the Start-up Loan Scheme ("SLS") and the Report on Higher Education Review 2010 ("the Report"). The issues of concern raised by members are summarized below.

### Internationalization of the education sector

7. Some members supported internationalization of institutions and diversification of the education sector as these would broaden the horizon of local students and help bring benefits to Hong Kong in the long run. However, members noted that for the purpose of internationalizing the education sector, the non-local student quota of the publicly-funded programmes had been increased to 20%. The number of non-local students in Hong Kong had increased from 7 900 in the 2007-2008 academic year to 9 200 in the 2008-2009 academic year, representing a rise of 16%. Notwithstanding the substantial increase of non-local students in Hong Kong in recent years, the publicly-funded first-year-first-degree places had only been increased from 14 500 to 14 620. The total number of students admitted through the Joint University Programmes Admission System had reduced from 13 092 in 2000 to 12 038 in 2009. Some 5 600 local students who had attained the minimum qualification for university education were not admitted to publicly-funded degree programmes every year. Members were concerned that internationalization of the education sector would further limit the opportunities of local students, such as sub-degree holders, for university education. With the implementation of the Hong Kong Diploma of Secondary Education Examination in 2012, some 80 000 students would sit for the examination annually and the demand for university places would be even greater. Some members were of the view that the Administration had misplaced its priority in developing education services, overlooking the education need of local students.

8. The Administration explained that the focus of internationalization of the education sector was to develop self-financing post-secondary institutions. Both local and non-local students could attend such institutions, and there would be a prescribed percentage for non-local students. Currently, non-local students enrolled mainly in self-financing places. Local students who were qualified for but were not admitted to publicly-funded degree programmes could pursue further study by enrolling in self-financing post-secondary programmes. That explained the growth of the self-financing post-secondary sector in recent years. In the Administration's view, the issue at stake was not subsidization of non-local students but a need for an increase of university places. As the current fiscal position did not allow any further increase in publicly-funded degree places, the Administration considered it an appropriate approach to internationalize the education sector by developing the self-financing post-secondary institutions to increase university places. The Administration stressed that internationalization of the education sector would not adversely affect local students' opportunities to study in local universities.

### Self-financing higher education

9. Some members supported the development of a self-financing higher education sector as it would provide students with more education opportunities and a wider choice. However, members were concerned that the development of a self-financing higher education sector to resolve the education need of local students would increase their financial burden. These students would mainly be sub-degree holders who were not admitted to publicly-funded degree places. Members considered the adoption of such an approach irresponsible. Members noted that the UGC-funded institutions were only recovering the marginal cost from the tuition fees paid by non-local students. The annual tuition fees paid by non-local students for attending the publicly-funded degree programmes offered by the UGC-funded institutions were in the range of \$80,000 to \$100,000 which were not sufficient to meet the average university student unit cost of \$200,000. Hong Kong taxpayers had been subsidizing non-local students studying in Hong Kong. Members called on the Administration to consider allowing local students who had attained the minimum requirements for university admission but without being offered publicly-funded university places to pay the marginal cost for attending the publicly-funded degree programmes offered by the UGC-funded institutions. Alternatively, the Administration might consider providing these local students with fee subsidies to pursue self-financing degree programmes offered by local private universities. Noting the Administration's claim that the recurrent expenditure on education made up 25% of the total Government expenditure, some members pointed out that the actual expenditure on education in 2009 accounted for only 23.6% of the Government expenditure with a shortfall of some \$3.1 billion which should have been used for education. Members also noted that the expenditure on education in terms of the percentage of Gross Domestic Products in Hong Kong was lower than that in other countries. Members urged the Administration to use the \$3.1 billion to help local students to access publicly-funded university education.

10. According to the Administration, the total expenditure for the policy area of education for the 2010-2011 financial year was estimated at about \$63.7 billion, representing an increase of \$4.9 billion as compared with the 2009-2010 revised estimate. It was the largest spending area and accounted for about 20% of the total Government expenditure. About \$52.2 billion of the total expenditure for education was recurrent in nature and constituted about 23% of the recurrent Government expenditure. Compared with the 2009-2010 revised estimate, it represented an increase of \$900 million. The Administration considered that the current financial position did not allow a further increase of recurrent expenditure on education. The way forward was to develop self-financing higher education. The Administration planned to deploy \$1 billion to launch the fifth Matching Grant Scheme to cover all 12 degree-awarding institutions. The Administration had reserved six sites to

support the development of self-financing higher education. To support the expected loan requirements from degree-awarding institutions for developing college premises, the Administration proposed to increase the total commitment of SLS by \$2 billion. The proposal was approved by the Finance Committee on 5 February 2010.

### Development of self-financing degree programmes

11. Noting the Administration's intention to develop the self-financing degree sector, some members expressed grave concern about the same mistakes being made as in the case of the expansion of the self-financing sub-degree sector, including the over-supply of and inadequate quality control over sub-degree programmes. The excessive supply of sub-degree holders had also impacted their competitiveness. While the number of sub-degree graduates had proliferated from 2 600 in the 2000-2001 school year to 24 000 in 2009, the average monthly salary of a sub-degree holder had dropped from \$13,000 in 2000 to \$12,500 in 2008. Sub-degree holders had difficulties to find an employment or could only get low-pay jobs.

12. Members pointed out that institutions which offered sub-degree courses had an incentive to admit sub-degree graduates to their self-financing degree courses to enhance the attractiveness of their sub-degree programmes. A large number of sub-degree students would apply for admission to private universities because they were uncertain about their future and the status of sub-degree qualification. Members were worried that the excessive supply of self-financing degree programmes might impact undergraduates of both the self-financing and publicly-funded universities. Indeed, the Report acknowledged three obvious dangers in the growth of the private post-secondary sector. These were the financial failure of an institution, increasing confusion in the sector as a result of an uncoordinated plurality of initiatives and inadequate quality of provision. The Report also pointed out that simple reliance on market forces would not work and there must be sufficient Government regulation.

13. Members expressed support for the need to regulate the supply of self-financing degree programmes such as by imposing academic standards for entry and exit. They called on the Administration and UGC to take proactive steps in this regard in the development of the self-financing degree sector.

### Quality assurance

14. Members noted a recommendation in the Report for the establishment of a unified quality assurance body for the entire post-secondary system. The Report also recommended that the single body should integrate the methods and approaches of quality assessment, validation and accreditation across the

system. Given the existing varied admission requirements and quality of the self-financing sub-degree programmes, members sought information on how the new quality assurance body could monitor and ensure quality.

15. According to the Chairman of UGC, UGC had taken an overview of the entire higher education sector in the Higher Education Review 2010. The UGC-funded institutions had already had self-accreditation status for their existing programmes and such status would not be changed with the setting up of the unified quality assurance body. The issue at stake was the quality of sub-degree courses offered by different institutions, and accreditation by a unified quality assurance body would facilitate students to make well-informed choices and provide the public with a better idea of the quality of sub-degree courses.

16. According to the Administration, it was reviewing the Post Secondary Colleges Ordinance (Cap. 320). It would take account of UGC's recommendations and the views of the stakeholders and make amendments to the Ordinance if necessary. Under the Ordinance, an institution had to be accredited by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications before it could be registered as a post-secondary institution. The Administration would look into the existing accreditation mechanism and make improvements if necessary.

#### New sites for self-financing post-secondary institutions

17. Members expressed concern that the sites made available for the development of self-financing post-secondary institutions might be bid by overseas institutions with a view to making profits. There was also concern about the little time to be taken by the Administration to scrutinize the applications for the sites for the construction of purpose-built premises under the Land Grant Scheme. Some members considered that the Administration should not waste the valuable land resources to support prospective self-financing post-secondary institutions for providing articulation places for sub-degree holders since these institutions would likely charge high tuition fees in order to make a profit or at least to break even. Whether local and non-local students could afford the high tuition fees had to be considered.

18. In the Administration's view, the greenfield sites would be bid by private but not necessarily overseas institutions. The programmes to be provided by the prospective institutions should be of a wide variety and should not necessarily be articulation places for sub-degree holders. The Administration would scrutinize the applications for the sites under the Land Grant Scheme taking into consideration the quality of the proposal, track records of the operators, etc. The institutions would be required to implement their operation

plans as outlined in their applications. Their performance would be closely monitored and thoroughly assessed.

19. Members noted that the Administration had allocated the sites at Ho Man Tin and Siu Lek Yuen under the Land Grant Scheme to the Open University of Hong Kong ("OUHK") and the Hang Seng School of Commerce ("HSSC") respectively for a purpose-built campus. The site in Ho Man Tin was around 4 300 square meters and would provide 2 400 self-financing degree places. The site in Siu Lek Yuen was around 6 000 square meters and would serve up to 1500 students.

20. Members were concerned that the two sites were too small to accommodate the expected intake of students. It would also be difficult for a post-secondary institution to provide quality teaching in such a small campus. Members considered that local universities were too small and lacked the venues for sport and performing activities. University education should not be restricted to classroom learning and there should be all-round development for students. Members called on the Administration to identify potential sites in the vicinity of the two sites for the future expansion of the two institutions.

21. The Administration explained that the sites allocated were near the existing campuses of OUHK and HSSC to facilitate the coherent development of the existing and the new campuses. The Administration had already identified potential sites in the vicinity of the two new campuses for future development. The Administration would examine the need for allocation of new sites for institutions on a case-by-case basis.

### **Relevant papers**

22. A list of the relevant papers on the Legislative Council website is in the **Appendix**.

## Relevant papers on development of education services

Meeting	Date of meeting	Paper
Legislative Council	2.5.2007	Motion moved by Hon CHEUNG Man-kwong on increasing the number of local university places <a href="#">Hansard (English)</a> (page 224)
Legislative Council	22.4.2009	[Question 10] <a href="#">Identification of Six Economic Areas by Task Force on Economic Challenges for Further Development</a> (Hansard English - page 44-47)
Legislative Council	10.6.2009	[Question 7] <a href="#">Six Economic Areas Identified by Task Force on Economic Challenges</a> (Hansard English - page 68-70)
Panel on Education	15.10.2009	<a href="#">Minutes</a> <a href="#">Agenda</a>
Panel on Education	20.10.2009 (Policy Briefing)	<a href="#">Minutes</a> <a href="#">Agenda</a>
Panel on Education	9.11.2009	<a href="#">Minutes</a> <a href="#">Agenda</a>
Panel on Education	14.12.2009 (Item IV)	<a href="#">Minutes</a> <a href="#">Agenda</a>
Panel on Education	11.1.2010 (Item IV)	<a href="#">Minutes</a> <a href="#">Agenda</a>
Panel on Education	21.10.2010 (Policy Briefing)	<a href="#">Minutes</a> <a href="#">Agenda</a>
Panel on Education	10.1.2011 (Items V and VI)	Minutes <a href="#">Agenda</a>