

立法會
Legislative Council

LC Paper No. CB(2)702/11-12
(The minutes have been seen
by the Administration)

Ref : CB2/PL/ED

Panel on Education

Minutes of meeting
held on Monday, 14 November 2011, at 4:30 pm
in Conference Room 3 of the Legislative Council Complex

- Members present** : Hon Starry LEE Wai-king, JP (Chairman)
Hon Tanya CHAN (Deputy Chairman)
Hon Albert HO Chun-yan
Hon LEE Cheuk-yan
Hon CHEUNG Man-kwong
Hon LEUNG Yiu-chung
Hon TAM Yiu-chung, GBS, JP
Hon Abraham SHEK Lai-him, SBS, JP
Hon Tommy CHEUNG Yu-yan, SBS, JP
Hon Audrey EU Yuet-mee, SC, JP
Prof Hon Patrick LAU Sau-shing, SBS, JP
Hon KAM Nai-wai, MH
Hon Cyd HO Sau-lan
Dr Hon LAM Tai-fai, BBS, JP
Dr Hon Priscilla LEUNG Mei-fun, JP
Hon CHEUNG Kwok-che
Dr Hon Samson TAM Wai-ho, JP
Hon WONG Yuk-man
- Members absent** : Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon Paul CHAN Mo-po, MH, JP
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
- Public Officers attending** : Agenda item IV

Mr Kenneth CHEN, JP
Under Secretary for Education

Ms Michelle LI, JP
Deputy Secretary for Education (1)

Mr Wallace LAU
Principal Assistant Secretary (Higher Education)

Miss Jenny YIP Kam-ching
Acting Secretary-General
University Grants Committee

Agenda item V

Mr Kenneth CHEN, JP
Under Secretary for Education

Ms Michelle LI, JP
Deputy Secretary for Education (1)

Mr Wallace LAU
Principal Assistant Secretary (Higher Education)

Mrs Dorothy MA
Acting Secretary-General
University Grants Committee

Agenda item VI

Mr Kenneth CHEN, JP
Under Secretary for Education

Ms Esther LEUNG Yuet-yin, JP
Deputy Secretary for Education (6)

Ms Nancy SO Mei-yee
Controller, Student Financial Assistance Agency

Ms Carrie LEE Kit-ling
Deputy Controller (1), Student Financial Assistance
Agency

Mr Desmond WONG King-tong
Deputy Controller (3), Student Financial Assistance
Agency

Clerk in attendance : Ms Amy YU
Chief Council Secretary (2)6

Staff in attendance : Ms Catherina YU
Senior Council Secretary (2)6

Ms Judy TING
Council Secretary (2)6

Miss Meisy KWOK
Legislative Assistant (2)6

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I. Confirmation of minutes

[LC Paper No. CB(2)250/11-12]

The minutes of the meeting held on 13 October 2011 were confirmed.

II. Information papers issued since the last meeting

[LC Paper Nos. CB(2)2718/10-11(01)), CB(2)68/11-12(01) to (10) and CB(2)207/11-12(01) to (04)]

2. Members noted the following papers issued since the last meeting –

- (a) referral from the meeting between Legislative Council ("LegCo") Members and Islands District members on 12 May 2011 regarding the educational needs of students in South Lantau (LC Paper No. CB(2)2718/10-11(01));
- (b) submissions from members of the public concerning the Hong Kong Examinations and Assessment Authority ("HKEAA") (LC Paper Nos. CB(2)68/11-12(01) to (10)) and HKEAA's response (LC Paper Nos. CB(2)207/11-12(01) to (04)); and
- (c) letter dated 20 October 2011 from Alliance for School Guidance and Counseling Service concerning the provision of guidance and counseling services to primary school students ("the Alliance") (LC Paper No. CB(2)179/11-12(01)).

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3. Regarding (c) above, the Chairman suggested and members agreed that the Administration should be requested to provide a written response to the Alliance's submission to facilitate the Panel's further consideration of the matter.

(Post-meeting note: The Administration's response was issued to members vide LC Paper No. CB(2)558/11-12 on 9 December 2011.)

III. Items for discussion at the next meeting

[Appendices I and II to LC Paper No. CB(2)252/11-12 and LC Paper No. CB(2)212/11-12 (01)]

4. Members agreed to discuss the following items at the next regular meeting scheduled for 12 December 2011 at 4:30 pm –

- (a) Start-up loan for post-secondary education providers;
- (b) Injection into the Education Development Fund;
- (c) The Education (Amendment) Regulation 2012; The Education (Exemption)(Private Schools Offering Non-Formal Curriculum)(Amendment) Order 2012; and The Hong Kong Examinations and Assessment Authority Ordinance (Amendment of Schedule 1) Order 2012; and
- (d) Education support for non-Chinese speaking students.

5. Regarding (d) above, the Chairman said that the Chairman of the Equal Opportunities Commission and representatives from the Constitutional and Mainland Affairs Bureau would also be invited to attend the discussion of the item.

Provision of up-to-standard premises for special schools

6. Referring to a complaint received by the Public Complaints Office from a special school about its sub-standard premises, Ms Cyd HO expressed concern that there might be other special schools with premises which did not meet the required standards. She considered that the Administration should accord priority to special schools in identifying suitable sites for reprovisioning, and suggested that the Panel should discuss the policy concerning the provision of up-to-standard school premises for special schools, including the redevelopment or reprovisioning of existing special schools accommodated in sub-standard premises. The Chairman suggested

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and members agreed that the Administration should be requested to provide written information in this regard to facilitate members' consideration of follow-up actions as necessary.

(Post-meeting note: The Administration's response was issued to members vide LC Paper No. CB(2)558/11-12 on 9 December 2011.)

Support provided by schools to students with mental illness

7. The Chairman referred members to the letter dated 28 October 2011 from Mr Albert HO (LC Paper No. CB(2)212/11-12(01)) suggesting that the Panel should discuss the support provided by schools to students with mental illness. To facilitate the Panel's further consideration of the matter, she suggested that the Administration should be requested to provide written information on the provision of support by schools to students with mental illness. Members agreed.

(Post-meeting note: The Administration's response was issued to members vide LC Paper No. CB(2)558/11-12 on 9 December 2011.)

IV. Recurrent funding for University Grants Committee-funded institutions in the 2012-2013 to 2014-2015 triennium

[EDB(HE)CR 5/2041/08 and LC Paper No. CB(2)252/11-12(01)]

8. Members noted the background brief entitled "Recurrent funding for the University Grants Committee-funded institutions" (LC Paper No. CB(2)252/11-12(01)) prepared by the LegCo Secretariat.

9. The Chairman drew members' attention to Rule 83A of the Rules of Procedure concerning personal pecuniary interest to be disclosed which provided that, in the Council or in any committee or subcommittee, a Member should not move any motion or amendment relating to a matter in which he had a pecuniary interest, whether direct or indirect, or speak on any such matter, except where he disclosed the nature of that interest. She reminded members to declare interests in the matter under discussion, if any.

Briefing by the Administration

10. Under Secretary for Education ("US(Ed)") briefed members on the Administration's proposals on the recurrent funding for University Grants Committee ("UGC")-funded institutions in the 2012-2013 to 2014-2015 triennium ("2012-2015 triennium") and the injection into Research Endowment Fund.

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Tuition fees for UGC-funded institutions

11. Mr CHEUNG Man-kwong expressed concerns that the Administration had implied in its paper (EDB(HE)CR 5/2041/08) that having regard to the increase in non-recurrent resources to the UGC-funded institutions, there might be a need to consider increasing tuition fees. Given that non-recurrent funding varied from year to year, he considered it inappropriate and unfair to students to include such funding in determining the tuition fee level. As the cost recovery rate for tuition fees had all along been based solely on UGC recurrent grants, the inclusion of non-recurrent funding in the calculation would represent a significant change from the established mechanism and wide consultation with relevant stakeholders should be conducted.

12. US(Ed) responded that the indicative tuition fee had been frozen at \$42,100 per student per year since the 1997-1998 academic year notwithstanding the increase in both recurrent and non-recurrent funding to the UGC-funded sector over the years. It was recommended that the recurrent funding for the 2014-2015 academic year be increased to \$14.3 billion to cater for the additional year of university education under the New Academic Structure ("NAS"). While the Administration considered it timely to review the existing 18% cost recovery target, it had no plan to increase the tuition fees at the present stage. The Administration would conduct comprehensive consultation and seek the views of all relevant stakeholders during the review on tuition fees.

13. Ms Cyd HO shared the concern that tuition fees would be increased after the tuition fee review mentioned in paragraph 15 of the Administration's paper. She said that the current financial situation of the Government had improved considerably when compared with the situation back in 1997 and 1998, as evidenced by the substantial increase in the fiscal reserve in recent years. On the other hand, the median monthly household income of families at the 75th percentile was only \$25,000 and the tuition fees of around \$3,500 a month had already accounted for a large proportion of their household expenditure. She cautioned that the Administration should not increase tuition fees. Instead, the Administration should consider further relaxing the eligibility for grants and loans under the student financial assistance schemes taking into account the current economic situation. Ms HO further said that the Administration should not make reference to the latest development of the overseas higher education sector in the review of tuition fees. Many overseas universities had recently increased their tuition fees significantly, provoking strong protests from students.

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14. US(Ed) said that the Administration had recently introduced measures to enhance financial assistance to needy students. With the relaxation of eligibility for full grant under the means-tested schemes with effect from the 2011-2012 academic year, it was estimated that the number of students eligible for full grant would be doubled. The Administration would keep in view the student financial assistance schemes and make further improvements as necessary. He reiterated that it was necessary to regularly review the cost recovery target for university tuition fees and the Administration had no plan to increase tuition fees at the present stage.

15. Ms Cyd HO said that while financial assistance to students had been enhanced, loan borrowers had onerous financial burden as they needed to repay their loans upon graduation. She called on the Administration to withdraw its proposal concerning tuition fee review referred to in paragraph 15 of its paper.

16. Ms Audrey EU also shared the concern about the tuition fee review stated in paragraph 15 of the Administration's paper and requested the Administration to further explain the matter.

17. US(Ed) explained that the Administration aimed at informing Members of the need for conducting a review on the 18% cost recovery target which had been used for more than 10 years in paragraph 15 of its paper. Given that the higher education sector would undergo major changes with the implementation of NAS in 2012 and the Administration's subsidies for the UGC-funded sector had become more diversified in recent years and in line with the principle of prudent financial management, a review on tuition fees was necessary. He reiterated that the Administration had no plan to increase tuition fees.

18. Mr Albert HO held strong view against the Administration's proposals in paragraphs 14 and 15 of its paper. He considered it unfair and unacceptable to include non-recurrent funding, such as research grants, as part of the operating costs of universities for the purpose of determining the cost recovery target for tuition fees. In his view, it was an excuse used by the Administration to increase tuition fees. He strongly objected to an increase in tuition fees.

19. Mr LEE Cheuk-yan considered that an increase in tuition fees would be inevitable should a review be conducted on the 18% cost recovery target and non-recurrent funding be included in the student unit cost for determining the tuition fee level. He expressed concern about the adverse impact of an increase in tuition fees on the studies of the economically disadvantaged students as they would need to take up part-time jobs to pay for the high tuition fees. He

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sought information on the timetable of the tuition fee review, the ratio of recurrent grants to non-recurrent grants for the UGC-funded sector and the amount of non-recurrent grants provided to the UGC-funded sector.

20. Mr TAM Yiu-chung said that as pointed out by the Financial Secretary on many occasions, the recent Eurozone debt crisis had increased the risk of an economic downturn in Hong Kong. Under the present economic situation, the community would react strongly against the conduct of a tuition fee review lest it would result in an increase in tuition fees. Members belonging to the Democratic Alliance for the Betterment and Progress of Hong Kong were concerned that an increase in tuition fees would further add to the financial burden of needy students and objected to a higher cost recovery target. He sought information on the timetable for conducting consultation on the proposed tuition fee review and the stakeholders to be consulted.

21. US(Ed) stressed that with the implementation of the new four-year undergraduate curriculum in 2012, the Administration's financial commitment to higher education had been increasing in recent years. The recurrent grants for the UGC-funded institutions would increase by around \$3 billion per annum by the 2014-2015 academic year, while the total recurrent grants for the 2012-2015 triennium would increase by \$8.2 billion as compared with the last triennium. In addition, substantial non-recurrent resources such as matching grants and research grants had also been provided for the development of the higher education sector. To ensure prudent use of public resources, it was necessary to review the tuition fee level and the cost recovery target on a regular basis. He stressed that there would not be any changes to the level of tuition fees in the 2012-2013 academic year. The Administration's initial plan was to embark on a tuition fee review during the 2012-2015 triennium. After the review, the Administration would decide on the way forward having regard to the economic situation at that time and the strategies for the development of higher education.

22. Mr WONG Yuk-man expressed objection to including non-recurrent funding in the cost recovery mechanism for determining the tuition fee level. As the purpose of providing matching grants was to encourage institutions to explore different sources of funding, he considered it inappropriate to include such grants in the student unit cost. He also objected to the shared funding model proposed by the Administration through which parents and students were required to shoulder some of the heavy financial investment needed for the implementation of NAS by paying higher tuition fees for tertiary education, pointing out that an additional year of tuition fees for tertiary education had already placed a heavier financial burden on parents.

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23. Mr WONG Yuk-man further said that the Administration had reduced the outlay for higher education in recent years. He pointed out that in the 2010-2011 financial year, while total Government expenditure on education had increased to some \$61.8 billion, the percentage share of expenditure on higher education had reduced to 25% (i.e. about \$15 billion) of the total expenditure on education. Furthermore, non-recurrent funding, which was used mainly for expansion of campus to meet the needs of a four-year curriculum, had accounted for some 20% of the total expenditure on higher education. He criticized that the Administration lacked vision and had failed to provide the required financial support for the healthy development of higher education.

24. Mr LEUNG Yiu-chung said that it was implied in paragraph 15 of the Administration's paper that university tuition fees would increase. Noting from paragraph 16 of the paper that the indicative tuition fee level of \$50,000 per student per year was at 2005 prices, he expressed concern that tuition fees would likely increase after the review. He pointed out that students would already have to face heavier financial pressure because of an additional year of university education and students from economically disadvantaged families could hardly afford any increase in tuition fees. The Administration should seriously consider reducing the tuition fees as well as the cost recovery rate.

Provision of undergraduate places

25. Referring to Annex A to the Administration's paper, Mr KAM Nai-wai expressed disappointment with the minimal increase in the number of publicly-funded undergraduate places in the 2012-2015 triennium. He pointed out that except for the 2012-2013 academic year where there would be a significant increase in undergraduate places to cater for the double cohorts arising from the implementation of NAS, the undergraduate places in the 2013-2014 academic year and the 2014-2015 academic year would only be increased by about 2.1% and 2.7% respectively. Given the inadequate provision of local undergraduate places, many parents had to send their children abroad for tertiary studies, causing great financial burdens to them. He urged the Administration to consider increasing publicly-funded undergraduate places to meet parents and students' demand.

26. US(Ed) responded that it was the Government's policy to promote the parallel development of the publicly-funded sector and the self-financing sector to meet the demand for more undergraduate places. In addition to increasing the number of publicly-funded first-year first-degree ("FYFD") places to 15 000 per cohort and that of publicly-funded senior year undergraduate places from about 3 900 to 8 000 progressively, the

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Administration had also implemented a series of measures in recent years to encourage the development of the self-financing post-secondary sector. The number of self-financing degree-awarding institutions had increased to six.

27. Dr LAM Tai-fai said that each year, about 5 000 to 6 000 secondary 7 students (secondary school-leavers) did not have access to publicly-funded FYFD places despite having met the minimum requirements for admission to universities. He considered it incumbent upon the Administration to provide sufficient undergraduate places for these students and enquired whether the Administration had any timetable to meet the shortfall in FYFD places. Noting the Administration's estimate that over one-third of the young people in the relevant age group would have the opportunity to pursue degree-level education by the 2014-2015 academic year, he enquired how such a ratio compared with that in other jurisdictions such as the United States ("US"), the United Kingdom ("UK"), Taiwan and Singapore.

28. US(Ed) responded that the ratio of undergraduate places to the relevant age cohort in US and UK was about the same as that in Hong Kong, while the ratio in the neighbouring Asian countries and places, such as Japan, Korea and Taiwan, was higher than that in Hong Kong. In Japan and Korea, up to some 70% of the undergraduate places were provided by private universities. He added that university education in Hong Kong was no longer only for the elite. It was estimated that over one-third of the relevant age cohort would have the opportunity to pursue degree-level education by the 2014-2015 academic year. The provision of FYFD places for all qualified students would require thorough discussion by the community. He reiterated the Administration's policy of supporting parallel development of both the publicly-funded and self-financing higher education sectors.

29. Ms Audrey EU said that currently, only about 16% to 18% of the relevant age cohort were receiving degree-level education and it would be a big leap forward if the percentage would increase to 33% by the 2014-2015 academic year as estimated by the Administration. She sought information on the breakdown of these undergraduate places.

30. US(ED) explained that the current ratio of 18% of the relevant age cohort pursuing degree education referred only to publicly-funded undergraduate places. Apart from publicly-funded undergraduate places, undergraduate courses were also offered by many self-financing institutions. The target of over one-third of the relevant age cohort having the opportunity to pursue degree-level education by the 2014-2015 academic year had taken into account the 15 000 publicly-funded FYFD places, the publicly funded senior year undergraduate places to be doubled progressively from 3 900 to

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about 8 000, as well as undergraduate places provided by self-financing institutions. The Administration was confident that the target could be achieved.

31. Mr Albert HO also expressed concern that only 18% of the relevant age cohort had the opportunity to receive tertiary education in Hong Kong due to inadequate provision of FYFD places in local universities. The percentage was lower than that in places where the level of economic development was comparable to Hong Kong. While it was the Administration's estimate that including sub-degree places, about 66% of the young people in the relevant age group would be able to pursue post-secondary education by the 2014-2015 academic year, he considered the provision of sub-degree places of little help to the development of the higher education sector. It was because not many students could afford the high tuition fees of sub-degree programmes and the number of articulation places for sub-degree graduates in local universities was limited. The Administration should consider providing subsidies in the form of education vouchers for students to pursue further studies in self-financing post-secondary institutions. The Administration should also increase the subsidies to self-financing post-secondary institutions.

32. US(ED) responded that the self-financing post-secondary education sector had a long history of development in Hong Kong and had been developing rapidly in recent years. Students pursuing self-financing post-secondary programmes were eligible for means-tested grant and loan as well as non-means-tested loan on largely the same basis as students in publicly-funded programmes.

The funding proposals

33. The Chairman invited members' views on the submission of the funding proposals to the Finance Committee ("FC").

34. Mr CHEUNG Man-kwong said that while he did not object to the proposed recurrent grants to the UGC-funded sector, he objected to an increase in tuition fees and the inclusion of non-recurrent funding in the student unit cost for determining the tuition fee level, and hence his objection to the submission of the funding proposals to FC. Given that larger universities would obtain more research grants and matching grants, the inclusion of such funding in the cost recovery mechanism for determining tuition fees would be unfair to smaller universities and their students. He called on the Administration to withdraw the proposed changes to the cost recovery mechanism for determining the tuition fee level.

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35. Ms Cyd HO said that members had indicated clearly their objection to the proposed changes in the adjustment mechanism of tuition fees and the review of tuition fees. As members' support for the funding proposals would be based on the Administration's paper to the Panel, the Administration should withdraw the relevant paragraphs on tuition fees from its paper so as to gain members' support for the submission of the funding proposals to FC.

36. US(Ed) explained that the Administration's paper aimed at seeking members' support for the recurrent grants to the UGC-funded institutions for the next triennium and the proposed injection into the Research Endowment Fund and the paper to be submitted to FC would not contain information on the review of the cost recovery target and tuition fees. However, it was necessary for the Administration to embark on the tuition fee review.

37. Mr CHEUNG Man-kwong said that irrespective of whether or not the relevant paragraphs on tuition fees would appear in the Administration's paper to FC, he did not see any support from members on the proposed tuition fee review and considered that the Administration should withdraw the entire Section (C) on "Tuition Fees" (i.e. paragraphs 13 to 17) from its paper to avoid any misunderstanding that the Panel had agreed to all the Administration's proposals contained in its paper.

38. Mr Abraham SHEK said that cost recovery should not be considered only in monetary terms. Knowledge gained by students from tertiary education was also a meaningful return.

39. US(ED) stressed the need for the Administration to review the cost recovery target for tuition fees, given the significant increase in both the recurrent and non-recurrent resources for the UGC-funded sector in the past ten odd years. He reiterated that the Administration had no plan to increase tuition fees at this stage.

40. Deputy Secretary for Education (1) ("DS(Ed)1") supplemented that the current level of tuition fees was used as the basis for calculating the recurrent funding recommendations for the UGC-funded sector for the 2012-2015 triennium. She appealed to members to support the submission of the funding proposals to FC.

41. The Chairman put to vote the submission of the funding proposals as set out in the Administration's paper to FC. The majority of members present objected to the submission of the funding proposals to FC, and no Member had indicated support. The Chairman said that the Panel objected to the submission of the funding proposals to FC.

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42. Mr CHEUNG Man-kwong requested the Administration to state explicitly in its paper to be submitted to FC members' objection to the proposals concerning tuition fees contained in Section (C) of the Administration's paper. The Chairman requested the Administration to reflect members' views in its paper to FC.

V. Report on the Higher Education Review 2010

[LC Paper No. CB(2)252/11-12(02) and EDB (HE)CR4/21/2041/89]

43. Members noted the updated background brief entitled "Report on the Higher Education Review 2010" [LC Paper No. CB(2)252/11-12(02)] prepared by the LegCo Secretariat.

Briefing by the Administration

44. US(Ed) thanked UGC for making valuable recommendations on the further development of the post-secondary sector in its report entitled "Aspirations for the Higher Education System in Hong Kong" ("the Report"). He said that the Administration agreed with the overall strategies and directions recommended in the Report and referred members to the LegCo Brief [EDB (HE)CR4/21/2041/89] for details of the Administration's considerations of the Report's recommendations.

Development of the self-financing post-secondary sector

45. Mr CHEUNG Man-kwong said that according to the Report, the response of the UGC-funded institutions to launching self-financing taught postgraduate programmes had been impressive, with the number of first year student intakes increasing from 9 700 in the 2003-2004 academic year to 17 600 in the 2009-2010 academic year. The revenue generated from self-financing taught postgraduate programmes amounted to \$2.8 billion in the 2008-2009 academic year, increasing to \$3.5 billion in the 2010-2011 academic year. The average tuition fees payable by each student in the 2008-2009 academic year was \$83,000 while that in the 2010-2011 academic year was \$102,000. Given the rapid increase in the number of self-financing taught postgraduate programmes and the considerable amount of revenue generated, he expressed concern about the quality assurance of these programmes. He was also concerned about the high tuition fees charged by these programmes and stressed the importance of ensuring that the tuition fees paid by students were good value for money.

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46. US(Ed) shared the view on the importance of quality assurance of self-financing taught postgraduate programmes, which were offered by different institutions including UGC-funded and non-UGC-funded institutions. While the UGC-funded institutions enjoyed self-accrediting status, the programmes offered by non-UGC-funded local post-secondary institutions were subject to quality assurance by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications ("HKCAAVQ"). With Hong Kong's development as a regional education hub, the growth of self-financing programmes, including self-financing taught postgraduate programmes, was inevitable. In the light of the expansion of the self-financing post-secondary sector, the Report had highlighted the importance of putting in place a unified quality assurance mechanism for the whole post-secondary sector.

47. Mr CHEUNG Man-kwong said that the former Chairman of UGC had pointed out the need to address the problem of confusing accounting arrangements arising from the operation of self-financing activities by UGC-funded institutions. There had been many complaints about students of self-financing and publicly-funded programmes attending the same classes, and UGC-funded institutions cross-subsidizing its self-financing programmes. He considered it necessary for the Administration to enhance the regulation over the operation of self-financing educational activities by the UGC-funded institutions.

48. Mr WONG Yuk-man said that there were many problems with the self-financing sub-degree sector which was market-driven. He noted from the background brief prepared by the LegCo Secretariat that while the number of sub-degree graduates had increased from 2 600 in the 2000-2001 academic 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. He expressed concern about the quality of the sub-degree programmes and the high tuition fees charged by these programmes. He cautioned that the Administration should take proactive measures to monitor the self-financing degree sector to avoid the same mistakes being made as in the case of the expansion of the self-financing sub-degree sector.

49. US(Ed) assured members that the Administration attached great importance to quality assurance of programmes offered by self-financing institutions and would enhance its work in this regard as recommended in the Report.

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50. Ms Audrey EU shared the concern about the increase in the number of sub-degree holders and the decrease in their monthly salaries. She queried whether the decrease in their salaries had anything to do with the quality of the sub-degree programmes and the recognition of the sub-degree qualification.

51. US(Ed) did not consider it appropriate to draw any correlation between the increase in the number of sub-degree graduates and the decrease in their monthly salaries as they were two different sets of data straddling over a long period of time. He pointed out that the sub-degree qualification was well recognized by employers, as shown in the research on "Economic Returns to Postsecondary Sub-degree Education" recently conducted by Professor CHUNG Yue-ping of the Faculty of Education of The Chinese University of Hong Kong ("CUHK"). The report also showed that there was an increase in both the salary of and the number of positions for sub-degree graduates, which indicated a growing demand for sub-degree graduates in the employment market.

52. Mr Tommy CHEUNG sought information on the salaries of civil service posts accepting the sub-degree qualification as an entry requirement. DS(Ed)1 replied that there were currently 14 civil service grades setting the sub-degree qualification as the entry requirement. In addition, sub-degree graduates could apply for posts requiring academic entry qualifications at 2A30 (i.e. a pass in two subjects in the Hong Kong Advanced Level Examination and three other subjects at Grade C or above in the Hong Kong Certificate of Education Examination). Hence, a total of 80 civil service grades accepted applications from holders of sub-degree qualification. Sub-degree graduates appointed to disciplined services officer ranks with multiple entry points (such as Police Inspector) were remunerated at the entry points for sub-degree qualification.

Manpower planning requirements

53. Mr WONG Yuk-man noted that for sectors (such as the social work discipline) which no longer met the criteria set out in paragraph 27 of the Administration's paper, instead of stipulating specific manpower planning requirements, the Administration would provide general manpower advice for the reference of UGC and institutions in the next triennial planning, and it would be for the institutions themselves to decide the number of student places to be allocated to those disciplines. He was concerned that under such an arrangement, institutions might only take into consideration the costs and popularity of the programmes but not the needs of the society in the allocation of student places, thereby resulting in imbalance between the supply of and demand for student places in certain disciplines.

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54. Mr CHEUNG Kwok-che expressed grave concern about the abolition of specific manpower planning requirements for the social work discipline. In his view, the social work discipline fully met the three criteria for manpower planning set out in paragraph 27 of the Administration's paper. Firstly, the public sector was the major employer of social workers as they were mainly employed by the Government or publicly-funded non-Governmental organizations ("NGOs"). Secondly, the unit cost of a student place in the social work discipline was high as students were required to take up practical work. Thirdly, there was a strong case for assured provision of adequate social workers given their high turnover rate, which exceeded 10% each year. He did not consider it appropriate to leave it to the institutions to decide the number of student places in the social work discipline.

55. US(Ed) responded that the Administration would only specify manpower planning requirements for the UGC-funded sector when the disciplines concerned fully met the prescribed criteria. Experience showed that it was difficult for the Administration to assess accurately the manpower requirement for the social work discipline given that the majority of social workers were employed by NGOs. The cost of practical work taken up by students of the social work discipline was lower than that of the healthcare discipline. Given the continuous need of the community for provision of social workers, the Administration was not aware of any institutions planning to discontinue their social work degree programmes. The UGC-funded institutions had indicated support for the recommendation of replacing the specific manpower planning requirement for the social work discipline by general manpower advice for institutions' reference in the next triennial planning exercise, as it would allow them more flexibility in the planning of student places for the programmes.

56. Mr CHEUNG Kwok-che pointed out that the Manpower Development Committee under the Labour and Welfare Bureau was tasked to monitor the manpower needs of the Government as well as its funded bodies, including NGOs. As such, the Administration should have access to the information required for assessing the manpower needs of the social work discipline. He further said that professors teaching social work in universities held a different view on the recommendation from university management. According to these professors, the management of institutions had already indicated that less resources would be allocated to the social work discipline in the 2015-2018 triennium. He added that there were currently no self-financing social work degree programmes.

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57. US(Ed) responded that the UGC-funded institutions conducted Academic Development Proposals for submission to UGC in every triennium. The exercise was to facilitate the institutions to map out their academic direction and strategies for the next triennium including the number of student places for different disciplines. He reiterated that there was no indication that institutions would drastically reduce the number of student places in their social work programmes.

58. Miss Tanya CHAN shared the concern about the impact of the recommendation of abolishing manpower planning requirements for disciplines which no longer met the criteria stipulated by the Administration. She was worried that institutions would only consider the costs of the programmes and market factors in their planning of student places for different disciplines.

Committee on Self-financing Post-secondary Education

59. Miss Tanya CHAN noted that the Government would set up a Steering Committee to advise on the policies and implementation of the initiatives for the \$2.5 billion Self-financing Post-secondary Education Fund ("the Fund") and a new Committee on Self-financing Post-Secondary Education to serve as a platform for discussing strategic issues of common interest to the sector as well as formulating and promoting good practices. She was concerned about possible overlaps in the roles and functions of the different advisory bodies for the self-financing sector. She sought information on the membership, roles and functions of the Committee on Self-financing Post-Secondary Education and how its roles and functions complemented with those of the Education Bureau, HKCAAVQ and the Joint Quality Review Committee.

60. DS(Ed)1 explained that the Committee on Self-financing Post-Secondary Education would advise the Administration on the development of the self-financing post-secondary sector from macro and strategic perspectives. It would also look into the support measures for the sector, such as grant of land and provision of scholarships. Its membership would include all the members of the Steering Committee on the Fund.

61. Miss Tanya CHAN further asked whether the roles and functions of the Committee on Self-financing Post-Secondary Education could be taken up by the existing advisory committees for the self-financing sector with a view to streamlining and simplifying the structure of the advisory committees. DS(Ed)1 responded that the Administration would restructure the existing advisory committees and the Committee on Self-financing Post-Secondary

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Education would take up a co-ordinating role and be tasked to advise the Administration on the policies and directions for the development the self-financing post-secondary sector.

Institutional autonomy and the role of UGC

62. Ms Cyd HO stressed the importance of preserving institutional autonomy and academic freedom. She said that many stakeholders in the higher education sector had expressed concern about the role of UGC and there were many complaints about UGC interfering with the autonomy of institutions. One example of such interference was the competitive allocation of FYFD places. Referring to UGC's letter's dated 11 November 2011 to the Panel (LC Paper No. CB(2)291/11-12(01)) on the allocation of research funding and undergraduate student places, she expressed grave concern that The Hong Kong Polytechnic University had not earned back any of the 6% FYFD places it had set aside for competitive allocation after the exercise. She further raised concern about the pressure imposed on the institutions by the business sector, which, in her view, was also a form of interference with the autonomy of institutions. She stressed that in allocating resources, the Administration should ensure that disciplines which were of less market appeal, such as the humanities and social sciences ("HSS") disciplines, were not treated unfairly. In her view, the Report had not addressed any of these fundamental issues. She enquired whether the Administration would conduct an in-depth review on the role of UGC and the regulation of the higher education sector with a view to ensuring the public accountability of the post-secondary institutions.

63. US(Ed) said that the review which generated the Report had already examined in-depth the long-term developments of the higher education sector and the Report's recommendations would help foster the sustained development of the sector. On the competitive allocation of FYFD places, he stressed that the places set aside by the institutions for competitive allocation constituted only a small part of the total number of student places to be distributed for the 2012-2015 triennium. Of the 15 000 FYFD places, only 814 places were for competitive allocation, i.e. 724 places set aside by the institutions and 90 additional non-manpower places provided by the Administration. Among the eight UGC-funded institutions, three earned back more student places than those they had set aside, two earned back less, and no change for the other three. Programmes for competitive allocation varied according to institutions and covered different disciplines, including arts, science and commerce. Some institutions had expressed support for the competitive allocation mechanism which facilitated them to review their whole institutional endeavour in a strategic manner, in particular their

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academic priorities. He assured members that UGC respected the autonomy of the institutions and there was no cause for concern about any interference from UGC in the institutions' planning in setting aside FYFD places for competitive allocation and the distribution of places earned back by the institutions after the exercise. Regarding the support measures for the HSS disciplines, he said that additional funding would be provided to the Research Grants Council to improve its funding arrangements for academics in HSS disciplines.

64. Ms Audrey EU shared the concern that the competitive allocation of student places would adversely affect the continuous development of the less popular disciplines. She asked whether the competitive allocation exercise had resulted in the abolition of any programmes by institutions.

65. DS(Ed)1 reiterated that UGC respected the autonomy of institutions in the competitive allocation exercise. The institutions were prudent in their allocation of student places across different programmes. About one third of the student places were allocated to HSS disciplines and such a ratio had more or less been maintained.

Credit Accumulation and Transfer System

66. Mr TAM Yiu-chung sought information on the implementation of the Credit Accumulation and Transfer System ("CATS"). While noting that the development of a vertical CATS was to facilitate articulation from sub-degree programmes to senior year undergraduate entry, he pointed out that the major concern of sub-degree students was the inadequate provision of articulation places rather than the overall mechanism for articulation.

67. US(Ed) said that given the Administration's policy of encouraging the parallel development of the publicly-funded and self-financing post-secondary sectors, it was necessary to develop a vertical CATS to facilitate clear and smooth pathways for student progression through the whole post-secondary system. To provide more opportunities for sub-degree graduates to articulate to undergraduate programmes, the senior year intakes to UGC-funded programmes would be doubled. He stressed that the sub-degree qualification was a recognized post-secondary qualification and sub-degree graduates were in great demand by many professions.

68. DS(Ed)1 elaborated on the host of measures to facilitate sub-degree students' articulation to undergraduate programmes. She explained that the proposed vertical CATS was to facilitate the articulation of sub-degree graduates to the third or fourth year of an undergraduate programme. UGC had been invited to conduct more research on CATS in other jurisdictions and

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propose an implementation plan applicable to both publicly-funded and self-financing institutions. A study on the feasibility of a common credit unit for all qualifications in the academic, vocational and continuing education sectors recognized under the Qualifications Framework was being conducted to facilitate the recognition of credits accumulated by students. The study was expected to be completed in 2012 and relevant guidelines would be released for the reference of institutions. Institutions would be encouraged to publicize their existing bilateral agreements with local and overseas institutions on credit transfer and to explore new ones. In addition, a user-friendly platform had been launched to provide clear and comprehensive information to students on self-financing institutions and their programmes. UGC had also been invited to work with the UGC-funded institutions to launch a portal for the disclosure of comprehensive information on publicly-funded senior year articulation opportunities. These measures would provide information on quality-assured learning opportunities to facilitate students in making informed choices about their future.

VI. Review of non-means-tested loan schemes – Phase 2 public consultation

[LC Paper Nos. CB(2)252/11-12(03), CB(2)252/11-12(04) and CB(2)298/11-12(01)]

69. Members noted the updated background brief entitled "Non-means-tested loan schemes for post-secondary students" prepared by the LegCo Secretariat (LC Paper No. CB(2)252/11-12(04)).

70. The Chairman drew members' attention to the submission from the Office of the Privacy Commissioner for Personal Data ("Office of PCPD") on "Review of non-means-tested loan schemes administered by the Student Financial Assistance Agency" (LC Paper No. CB(2)298/11-12(01)).

Briefing by the Administration

71. US(Ed) briefed members on the Administration's proposals for Phase 2 public consultation to improve the operation of the non-means-tested loan schemes administered by the Student Financial Assistance Agency ("SFAA") as detailed in the Administration's paper (LC Paper No. CB(2)252/11-12(03)). Phase 2 public consultation would run from 14 November 2011 to the end of February 2012.

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Accrual of interest for non-means-tested loan schemes

72. Mr CHEUNG Man-kwong urged the Administration to consider waiving the accrued interest on non-means-tested loans during the loan borrowers' study period. He pointed out that with the change of the university curriculum from three years to four years, the financial burden of borrowers would become heavier. It was also unfair to borrowers under the non-means-tested loan schemes as they were charged loan interest once the loans were drawn down while loan interest would be accrued on means-tested loans only from the commencement of loan repayment period after completion of studies of borrowers. Furthermore, interest-free loans were granted to institutions for construction of campus and the institutions were only required to repay the loan from the date of the final drawdown.

73. Miss Tanya CHAN pointed out that the public generally supported the waiving of the accrued interest until the loan borrowers had completed their studies. She sought information on the amount of loan interest income foregone should the proposal be implemented.

74. Mr Tommy CHEUNG and Ms Cyd HO also shared the view that the Administration should consider waiving the accrued interest until the loan borrowers had graduated.

75. US(Ed) stressed the need to strike a balance between providing financial assistance to students and ensuring prudent use of public money. The non-means-tested loan schemes were approved by LegCo on the premise that they should operate on a no-gain-no-loss and full-cost-recovery basis. The proposals put forward by the Administration for Phase 2 public consultation, including reducing the risk-adjusted-factor ("RAF") rate of the non-means-tested loan schemes to zero (to be reviewed in three years' time) and extending the standard repayment period of non-means-tested loans from 10 years to 15 years, would greatly alleviate the financial burden of borrowers. As borrowers under the non-means-tested loan schemes were not required to go through any income and asset tests, the Administration was concerned about possible abuse arising from the proposal of waiving the interests accrued during the borrowers' study period. He also clarified that borrowers under the non-means-tested loan schemes were required to repay their loans only after they had completed the studies.

76. Mr CHEUNG Man-kwong said that as some needy students had no avenue to obtain low-interest loans other than the non-means-tested loan schemes, Members had no choice but to accept the Administration's proposal

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that the non-means-tested loan schemes should operate on a no-gain-no-loss basis when they were put forward for LegCo's approval.

77. Deputy Secretary for Education (6) ("DS(Ed)6") said that the Administration had not proposed to defer the accrual of interest on non-means-tested loans until the borrowers had graduated because with the proposed reduction of the RAF rate to zero, the interest rate for non-means-tested loans would already have been reduced by half during the entire loan period, including the study period. Using a \$100,000 loan as an example, the repayment amount for each instalment prior to and after the reduction of the RAF rate was \$1,040 and \$650 respectively, representing some 40% reduction. Should loan interest be waived during the borrowers' study period, the repayment amount of each student would only be further reduced by about \$20 per month (hence an insignificant impact on further reducing the repayment burden of borrowers), but the interest income foregone for the Government would amount to about \$33.7 million on an annual basis, which had not yet taken into account possible increase in the number of loan applications should accrual of interest be deferred until the borrowers had graduated.

78. Mr LEE Cheuk-yan said that the Administration, through the adoption of RAF, had in effect transferred the risk in disbursing unsecured loans to students who had made repayments on schedule. He considered it unfair to these students and called on the Administration to abolish RAF altogether.

Sharing the negative data of defaulters with credit reference agency

79. Mr LEE Cheuk-yan considered the Administration's proposal of sharing the negative data of defaulters with credit reference agency to deter loan default an intrusion to privacy. As the credit data sharing system was to facilitate banks and licensed money lenders to evaluate the credit risk of their customers, he was concerned that the Administration's proposal had distorted the function of the system and would open the floodgate of the closed system to requests of a similar nature from other Government departments for the recovery of taxes and other charges.

80. US(Ed) responded that for students who had genuine difficulties in repaying their loans due to financial hardship, the Administration would render assistance to them as far as possible. As a matter of fact, 85% of the applications for deferment of loan repayment were approved by SFAA. There was a view in the community that the Administration should step up measures to tackle the loan default problem, in particular in respect of irresponsible borrowers defaulting loan repayment without reasons. The Administration's

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proposal to share negative credit data with credit reference agency was put forward in response to the community's concerns about the default problem. The Administration would like to listen to more public views on how loan default cases, particularly those involving large loan amounts, should be handled.

81. Mr TAM Yiu-chung welcomed the Administration's proposal to reduce the RAF rate to zero. Noting the privacy concerns raised by the Office of PCPD on the proposal of sharing the negative data of defaulters with credit reference agency, he enquired how the Administration would address such concerns.

82. Ms Audrey EU welcomed the Administration's proposed improvement measures to the non-means-tested loan schemes, and suggested that deputations be invited to a Panel meeting to give views on the proposals. She shared the Office of PCPD's concern that the Administration's proposal of providing the negative credit data of defaulters to credit reference agency would open the floodgate of requests for access to the credit data system from other private sector organizations and requested the Administration to carefully examine the possible impacts arising from the proposal. She also considered it necessary for the Administration to address the Office of PCPD's concern about the management accountability and operational transparency of the only consumer credit reference agency in Hong Kong.

83. US(Ed) responded that the serious default cases involved mostly employed individuals borrowing money under the Extended Non-means-tested Loan Scheme to pursue continuing and professional education courses. The proposed provision of negative data of defaulters to credit reference agency was to deter loan borrowers from defaulting loan repayment and ensure prudent management of public money. For default cases which had been referred to the Department of Justice for debt recovery through legal means, information on the loan borrowers which had gone public could be readily captured by the credit reference agency. Given that the participation of any credit data provider in the credit data system would require the approval of the Privacy Commissioner for Personal Data ("the Commissioner"), there was no cause for concern that the proposal would open the floodgate of access to the system by other Government departments. The Administration would further discuss the proposal with the Office of PCPD to allay its concerns.

84. DS(Ed)6 supplemented that the Administration's proposal was drawn up having regard to the on-going sharing of negative credit data of defaulters by the banking sector with the existing credit reference agency. Under section 12 of the Personal Data (Privacy) Ordinance (Cap. 486), the Commissioner

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was empowered to issue codes of practice on the collection, use and retention of and access to personal data. The credit reference agency in Hong Kong was required to strictly comply with such codes of practice. According to the advice of the Department of Justice, the Administration had to obtain the Commissioner's approval to implement the proposal and the Office of PCPD had the authority to revise the codes of practice to regulate the transfer of the negative data of defaulters to the credit reference agency by SFAA.

85. DS(Ed)6 further said that the Administration was not proposing to share the negative data of all the 13 000 odd defaulters with the credit reference agency. The Administration was working out the criteria for the proposed transfer of the negative data of default loan borrowers to the credit reference agency. The Administration's initial thinking was that the proposed negative data sharing would only apply to serious default cases which had been overdue for more than one year and involving an outstanding amount of over \$100,000. Of the existing 13 000 odd default cases, only around 600 cases would meet such criteria. She stressed that the Administration would comply with standards that were more stringent than those applied to banks and licensed money lenders, e.g. SFAA would restrict the sharing of credit data to only negative data, but not positive data, of defaulters and only limited information of defaulters such as name, identity card number, default amount and overdue period would be provided to the credit reference agency. SFAA would be required to notify defaulters before transferring their negative credit data to the credit reference agency. Furthermore, SFAA would be required to initiate the removal of the defaulters' data from the credit data system within one year after the arrears had been settled in full. The Administration would meet with the Commissioner in late November 2011 to discuss the proposal in detail. At the request of the Chairman and Miss Tanya CHAN, the Administration undertook to revert to the Panel in writing on the outcome of its discussion with the Commissioner.

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86. Prof Patrick LAU considered it important to educate loan borrowers about their obligations to repay loans. He opined that the acts of defaulters were irresponsible and suggested that the Administration could make reference to the measures adopted by other countries to tackle the student loan default problem, such as deducting loan repayment from the borrowers' salaries and conferring only provisional degrees to graduates who had not fully repaid their loans.

87. US(Ed) responded that there were views in the community that apart from the negative data of defaulters, the positive data of loan borrowers should also be provided to the credit reference agency. The Administration had

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proposed, as a first step, that only the negative data of borrowers who had defaulted repayments for over one year and with significant arrears should be provided to the credit reference agency. The Administration welcomed more public views in this regard.

Interest rate for the means-tested loan schemes and non-means-tested loan schemes

88. Mr Tommy CHEUNG expressed support in principle for the Administration's plan to enhance efforts to tackle the loan default problem. With the reduction of the RAF rate to zero, the interest rate per annum for non-means-tested loan schemes would be 1.674%, which appeared lower than that of the means-tested loan schemes at 2.5% per annum. In his view, there was room for reduction in the interest rate for means-tested loan schemes as the financial need of the applicants of these loans was generally greater than that of the non-means-tested loan applicants.

89. US(Ed) responded that the interest rate for the means-tested loan was a fixed rate and loan interest would be accrued on means-tested loans only from the commencement of loan repayment period after completion of studies of the borrowers. As such, the actual interest rate per annum for means-tested loan schemes was around 1.4%, which would still be lower than the interest rate for the non-means-tested loan schemes after the proposed reduction of the RAF rate to zero. In a low interest rate environment, the interest rate differential between the two types of loan schemes would be narrowed. The Administration would review the need for adjusting the interest rate for the means-tested loan schemes which had been fixed at 2.5% for some years. Mr Tommy CHEUNG said that to be fair to borrowers of means-tested loans, the Administration's review should aim at reducing the interest rate of the means-tested-loan schemes.

90. Miss Tanya CHAN shared Mr Tommy CHEUNG's view that the interest rate should be adjusted downward. She suggested that the Administration could consider imposing a cap to the interest rate with the cap to be reviewed regularly, say on a yearly basis, according to a specified mechanism.

91. Mr TAM Yiu-chung said that Members belonging to the Democratic Alliance for the Betterment and Progress of Hong Kong had all along considered that interest-free loans should be provided to borrowers of means-tested loans. They also supported the suggestion that loan interest on non-means-tested loans should be accrued only upon completion of studies of borrowers. He called on the Administration to introduce measures to ease the

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loan repayment burden of borrowers under the loan schemes.

92. US(Ed) said that it had been the Administration's long-standing policy to provide assistance to needy students. With the relaxation of the eligibility for full level of assistance under the means-tested assistance schemes with effect from the 2011-2012 academic year, the total number of students eligible for full level of assistance under various student financial assistance schemes had almost doubled. He added that under the financial assistance schemes for post-secondary students, grants were provided to needy students to cover tuition fees and academic expenses, low-interest loans to cover living expenses. Given the limited public resources, it was essential to strike a proper balance in meeting the needs of different students.

Loan limit

93. Ms Cyd HO was concerned that the loan limit of \$300,000 proposed by the Administration might not be adequate to cover the costs for pursuing self-financing sub-degree and degree programmes. She considered that the Administration should take account of the high tuition fees of self-financing post-secondary institutions and private universities and the basic living expenses required by students in setting the loan limit, so as to ensure that students who could not secure publicly-funded university places could obtain sufficient financial assistance to pursue tertiary studies in the self-financing sector. She called on the Administration to raise the loan limit.

94. US(Ed) explained that the loan limit of \$300,000 was proposed with reference to the latest tuition fees of self-financing degree programmes. The proposed loan limit would be adequate to cover the fees for pursuing a sub-degree programme and the subsequent articulation to a degree programme. The Administration had also made reference to the existing borrowing pattern, and found that the vast majority of the loans were smaller than \$300,000. Therefore, the Administration considered the proposed loan limit adequate. The loan limit would be adjusted annually according to the Composite Consumer Price Index. He added that the non-means-tested loan borrowers should assess their repayment ability before enrolling in the relevant programmes.

VII. Any other business

95. There being no other business, the meeting ended at 6:49 pm.

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Council Business Division 2
Legislative Council Secretariat

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