

1 April 2003

C/16/UGC/030401

Mr. Peter Cheung  
Secretary-General  
University Grants Committee  
7/F, Shui On Centre  
6-8 Harbour Road  
Wanchai  
Hong Kong

Dear Peter,

I refer to the letter from the LegCo Panel on Education of 20 March 2003 inviting the Heads of tertiary institutions to respond to the Government's plan to cut their funding by an average of 10%. This is a joint letter which represents the views of the Heads of all the eight University Grants Committee (UGC)-funded tertiary institutions.

2. From the outset, we wish to make it clear that our primary concerns do not relate to the fact that there will be a reduction in the level of funding for tertiary education. We fully understand and recognize that in the present economic climate of Hong Kong, the tertiary institutions will be affected by the Government's desire to reduce the budget deficit. Our primary concern, however, relates to the impact of the severity of the cuts that are likely to be imposed in a very short period of time.

3 The overall cuts for 2004/05 will in fact be much greater than the recently announced 10% reduction in the UGC Block Grant, which will not include the 3% salary reduction that the Government has decided to introduce. The tertiary institutions may therefore in a single year face a reduction of at least 13%. It is also not clear whether the proposed 10% cut will incorporate the reduction that will result from the loss of student places following the withdrawal of Government funding support for most TPG and sub-degree programmes and the plans to reduce significantly the FYFD numbers of some institutions. (Although we believe that a 10% cut of the *Block Grant* should already incorporate any cut resulted from a reduction of student numbers as student number is a major element in calculating the Block Grant). On top of all these, the Government has decided to withdraw the Home Finance Scheme in its "delinking proposals" (despite the fact that we are told that the delinking will be "cost-neutral"). It has also been indicated that further significant reductions would occur in the next triennium (2005-08), but the precise scale of this exercise is unknown. The full-scale and severity of these cuts, which

have only recently become apparent, and the speed with which they will be introduced will make it extremely difficult for us to plan for the necessary changes and this will affect the viability of the tertiary education sector. The overall outcome will affect our capacity to provide Hong Kong with the quality of higher education, which the community desires, and is having an extremely negative effect on the morale of our colleagues.

4. The tertiary institutions were initially informed that the current triennium (i.e. 2001-04) would be extended for one more academic year (2004/05), which was termed the 'Roll-over Year' and which would essentially involve the continuation of the present funding arrangements to give the UGC and its institutions more time to prepare for the next triennium. The institutions expressed great appreciation of this open approach and were ready to work with UGC on the new budgets. Given the economic environment of Hong Kong today, however, we are sensitive to the Government's desire to reduce the budget deficit. Nevertheless, we would strongly urge the Administration to review its plans so as to ensure that: the decisions relating to funding are the result of an open and transparent dialogue, any reduction in funding will not unduly damage to any institution, and any funding cuts will be phased in gradually.

5. In summary, let us reiterate the tertiary institutions have long recognized that they will be affected by Hong Kong's adverse economic environment. However, we are saddened by the process by which decisions have been made and the resulting severity of the cuts that are likely to be imposed which we believe will have extremely negative effects on our capacity to help the Government to achieve its goal of investing in education so as to transform Hong Kong into a knowledge-based society.

Yours sincerely,

C F Ng  
President & Vice-Chancellor, HKBU  
Convenor, HUCOM

cc Miss Flora Tai, Clerk to Panel, LegCo Panel on Education  
HUCOM Members