

立法會
Legislative Council

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Finance Committee of the Legislative Council

**Minutes of the 12th meeting
held at the Legislative Council Chamber
on Friday, 26 May 2006, at 2:30 pm**

Members present:

Hon Emily LAU Wai-hing, JP (Chairman)
Hon CHAN Kam-lam, SBS, JP (Deputy Chairman)
Hon James TIEN Pei-chun, GBS, JP
Hon LEE Cheuk-yan
Dr Hon David LI Kwok-po, GBS, JP
Hon Fred LI Wah-ming, JP
Hon Margaret NG
Hon Mrs Selina CHOW LIANG Shuk-yee, GBS, JP
Hon CHEUNG Man-kwong
Hon CHAN Yuen-han, JP
Hon Bernard CHAN, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP
Hon LEUNG Yiu-chung
Hon SIN Chung-kai, JP
Dr Hon Philip WONG Yu-hong, GBS
Hon WONG Yung-kan, JP
Hon Jasper TSANG Yok-sing, GBS, JP
Hon Howard YOUNG, SBS, JP
Dr Hon YEUNG Sum
Hon LAU Chin-shek, JP
Hon LAU Kong-wah, JP
Hon Miriam LAU Kin-yee, GBS, JP
Hon Andrew CHENG Kar-foo
Hon Timothy FOK Tsun-ting, GBS, JP
Hon TAM Yiu-chung, GBS, JP
Hon Abraham SHEK Lai-him, JP
Hon LI Fung-ying, BBS, JP

Hon Tommy CHEUNG Yu-yan, JP
Hon Albert CHAN Wai-yip
Hon Frederick FUNG Kin-kee, JP
Hon Audrey EU Yuet-mee, SC, JP
Hon Vincent FANG Kang, JP
Hon WONG Kwok-hing, MH
Hon LEE Wing-tat
Hon LI Kwok-ying, MH
Dr Hon Joseph LEE Kok-long
Hon Daniel LAM Wai-keung, BBS, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Dr Hon KWOK Ka-ki
Dr Hon Fernando CHEUNG Chiu-hung
Hon WONG Ting-kwong, BBS
Hon Ronny TONG Ka-wah, SC
Hon CHIM Pui-chung
Hon Patrick LAU Sau-shing, SBS, JP
Hon KWONG Chi-kin
Hon TAM Heung-man

Members absent:

Hon Albert HO Chun-yan
Ir Dr Hon Raymond HO Chung-tai, S.B.St.J., JP
Hon Martin LEE Chu-ming, SC, JP
Dr Hon LUI Ming-wah, SBS, JP
Hon James TO Kun-sun
Hon LAU Wong-fat, GBM, GBS, JP
Hon CHOY So-yuk, JP
Hon MA Lik, GBS, JP
Hon CHEUNG Hok-ming, SBS, JP
Hon Albert Jinghan CHENG

Public officers attending:

Mr Frederick MA Si-hang, JP	Secretary for Financial Services and the Treasury
Mr Alan LAI Nin, GBS, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Miss Amy TSE, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1
Mr Alfred FOK	Principal Executive Officer (General), Financial Services and the Treasury Bureau

Professor Arthur LI, GBS, JP
Mr Michael Vernon STONE, JP

Mrs Betty FUNG, JP

(The Treasury Branch)
Secretary for Education and Manpower
Secretary-General,
University Grants Committee
Deputy Secretary for Education and
Manpower

Clerk in attendance:

Ms Pauline NG

Assistant Secretary General 1

Staff in attendance:

Miss Becky YU

Chief Council Secretary (1)1

Mrs Mary TANG

Senior Council Secretary (1)2

Ms Alice CHEUNG

Senior Legislative Assistant (1)1

Mr Frankie WOO

Legislative Assistant (1)2

Action

Item No. 1 - FCR(2006-07)11

HEAD 190 – UNIVERSITY GRANTS COMMITTEE

♦ **Subhead 000 Operational expenses**

The Chairman said that the Education and Manpower Bureau circulated an information paper on the proposal to the Panel on Education on 10 April 2006.

2. Dr YEUNG Sum, Chairman of the Panel on Education, said that the Panel was supportive of the proposal under which the level of recurrent funding for the eight institutions funded by the University Grants Committee (UGC) for the 2005/06 to 2007/08 triennium would increase from \$30,762.4 million to \$31,266.7 million. It was hoped that no funding cuts for the triennium (i.e., the 0-0-0 funding model) would continue into the future. He added that Members of the Democratic Party also supported the proposal.

3. The Secretary for Education and Manpower (SEM) said that he was pleased that no funding cuts would be necessary for the 2005/06 to 2007/08 triennium. It was hoped that funding increases could be provided for the next triennium if so allowed by the economy.

4. On behalf of Members of the Liberal Party, Mr Andrew LEUNG indicated their support for the proposal.

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

Item No. 2 - FCR(2006-07)12

HEAD 190 – UNIVERSITY GRANTS COMMITTEE

◆ Subhead 700 General non-recurrent

New Item “Third matching grant scheme for UGC-funded institutions”

6. The Chairman informed members that the Panel on Education was consulted on the proposal at its meeting on 8 May 2006.

7. Dr YEUNG Sum, Chairman of the Panel on Education, said that the Panel supported in general the proposal which would strengthen the fund-raising capabilities of UGC-funded institutions. However, there was concern about the inadequacy of the nine-month application period for the Third Matching Grant Scheme (the Scheme) up to 28 February 2007. Consideration should be given to extending the duration to beyond the 2006-07 financial year in order to allow institutions, particularly those smaller and younger ones, more time to solicit private donations.

8. Noting that some institutions might have difficulties in securing donations, Mr SIN Chung-kai concurred that some flexibility should be exercised to extend the duration of the Scheme to beyond the current financial year. SEM said that he had written to the Financial Secretary requesting for an extension in the event that the targeted donations could not be reached. However, there were difficulties in extending the duration which ended on 28 February 2007 when the cut-off date for the 2006-07 financial year was 31 March 2007. He nevertheless added that according to the experience with the Second Matching Grant Scheme launched in August 2005, two institutions were able to secure the maximum level of matching grants allowed within two months. Most of the other institutions were also able to secure donations up to the “floor” level (i.e., the guaranteed minimum of \$45 million) before the expiry in January 2006.

9. The Secretary for the Financial Services and the Treasury (SFST) said that the funding earmarked for the Third Matching Grant Scheme came from savings in SEM’s operating expenditure envelope for the 2006-07 financial year. Unless SEM was prepared to earmark a sum of \$500 million from his operating expenditure envelope for the 2007-08 financial year to provide for the funding, it would not be possible to extend the duration of the Scheme to beyond the 2006-07 financial year.

10. Dr YEUNG Sum enquired if it would be technically feasible for SEM to earmark a sum from the operating expenditure envelope for the 2007-08 financial year to allow for the extension so that smaller and younger institutions could have more time to solicit private donations. SEM said that he would have to await his operating expenditure envelope for the 2007-08 financial year before deciding on the allocation of funding. If resources permitted, the Administration would endeavour to facilitate the institutions in securing private donations for matching with government grants.

11. While acknowledging that the matching grant schemes would strengthen the fund-raising capabilities of UGC-funded institutions, Dr KWOK Ka-ki expressed concern that the heads of smaller and younger institutions had to spend a lot of efforts in soliciting private donations. Given that the Government was now able to maintain a healthy budget, he suggested that SEM should seek more funding for the smaller and younger institutions and consider allocating a higher matching grant for these institutions.

12. SEM said that fund-raising capabilities had nothing to do with the size and age of the institutions. By way of illustration, the smaller and younger Lingnan University was able to secure more donations (in proportion to its recurrent grant) than others. The amount of donations received would depend on the support from the alumni associations and the community. He further explained that the matching grant for the first \$45 million would be \$1 government grant matching for \$1 private donation, beyond which it would be \$1 government grant matching for \$2 private donation.

13. Dr KWOK Ka-ki however noted that the Hong Kong Institute of Education (HKIEd) had much difficulty in securing private donations for up-keeping its campus and maintaining its education standard. Policy consideration should be given to providing financial assistance to these smaller institutes. SEM stressed the importance to accord equitable treatment to all institutions. It would be very difficult to administer the matching grant schemes if special consideration was given to an institute which claimed to have difficulty in securing donations. Besides, it would be unfair to other institutions which had tried very hard in raising funds.

14. Mr CHEUNG Man-kwong said that the Panel on Education supported the Third Matching Grant Scheme because of the success of the first two schemes. He said that while the larger institutions would have no problem in securing donations, such as the Chinese University of Hong Kong which had already secured the targeted donations for the 2006-07 financial year well before the launch of the Third Matching Grant Scheme, the smaller institutions like HKIEd and the City University of Hong Kong would require a longer time to secure the donations. Hence, there was a need to extend the duration of the Scheme to allow sufficient time for the latter to solicit donations, which had become increasingly difficult as the Scheme was already the third round of the matching grants. He hoped that the Financial Services and the Treasury Bureau and the Education and Manpower Bureau would jointly work out a way to extend the duration of the Scheme beyond the 2006-07 financial year.

15. SFST reiterated that operating expenditure envelopes were given to Bureau Secretaries on an annual basis. If SEM was confident that his envelope for the next financial year would have sufficient funds to provide for the Third Matching Grant Scheme, he could earmark such funding within his envelope. In fact, the same request for extension had been made last year when the Second Matching Grant Scheme was launched, but the institutions were subsequently able to secure the donations before the expiry date.

16. The Chairman asked whether the institutions had expressed difficulties in securing donations up to the guaranteed minimum. The Secretary-General, UGC (SG, UGC) said that the heads of institutions supported the matching grant schemes in general as these had provided the institutions with extra funding and had enabled them to pursue initiatives which they could not be able to do otherwise. While some of the heads had indicated difficulties in securing donations, almost all of the institutions were able to reach at least the “floor” donations in the last round of scheme, and had indeed performed very well. Performance of some of the smaller institutions in soliciting donations were particularly remarkable.

17. Mr CHEUNG Man-kwong queried whether SG, UGC had reflected the actual situation since according to the press, the eight UGC-funded institutions did have difficulties in securing the necessary donations and had sought for an extension to allow more time for soliciting donations. SG, UGC however said that he had not received any specific requests from heads of UGC-funded institutions for greater flexibility in securing donations. Given that the President & Vice-Chancellor of Hong Kong Baptist University had recently stated that the matching grant scheme had been unfair to smaller institutions, Miss TAM Heung-man said that she failed to understand why SG, UGC was not aware of their plight.

18. SEM said that when the First Matching Grant Scheme was launched, one of the heads of UGC-funded institutions had expressed concern that the “floor” donations might be hard to secure. He had later changed his stance towards the Scheme after he was able to secure \$100 million donations for his institution. Subject to the Finance Committee’s approval, the Third Matching Grant Scheme could commence on 1 June 2006 and would be two months earlier than the commencement date of the Second Matching Grant Scheme in August 2005. The amount of donations secured would depend on the efforts made rather than the size and age of the institutions and he called upon the community to support the institutions.

19. Mr Bernard CHAN declared interest as the Chairman of the fund-raising committee of the Lingnan University. He said that fund raising was not an easy task especially for small institutions like the Lingnan University and its success would hinge on the efforts made by the heads of institutions. He also pointed out that the proposed extension of two more months might not be very useful. The important point was to foster a philanthropic culture in Hong Kong, similar to that of overseas countries, so that the heads of institutions could fulfill their roles in securing donations for their institutions on a recurrent basis. He added that Members of the Alliance would support the Third Matching Grant Scheme.

20. SEM agreed to Mr Bernard CHAN’s views. He said that to assist UGC-funded institutions to solicit donations, UGC had provided each institution with \$5 million for institutional advancement, including setting up fund-raising committees. It was hoped that the institutions could formulate strategies to solicit donations from their alumni associations as well as from the community at large. SG, UGC said that the matching grant schemes had been very valuable in stimulating both the institutions

and the community in developing a philanthropic culture. He noted that the institutions were much more proactive in the liaison with their alumni associations and the community with a view to impressing upon them the value of the institutions and the idea of giving back. He hoped that this culture would be sustainable as the Government was not able to provide the matching grants on a recurrent basis. The institutions should be able to continue their efforts in soliciting donations in the long term.

21. Dr Fernando CHEUNG declared interest as a teaching staff of one of the institutions and a member of the Council of the Hong Kong Polytechnic University. He said that the Government had been using the savings from funding cuts in the university education sector to provide for the matching grants. As a result, the heads of institutions had to devote most of their time in securing donation, which was not an ideal situation as they had other important roles to perform apart from fund raising. As regards the proposed extension of the duration of the matching grant schemes, Dr CHEUNG said that this had been deliberated at length on several occasions and the institutions had been requesting for more time to secure donations. Given that donations for smaller and younger institutions were decreasing over the years, and that there would be increasing difficulties for them to secure further donations, the Government should accord special consideration for these institutions. He also stressed that the matching grants should not be taken as the sole funding source for university education in the long run.

22. SEM reiterated that the duration of the Third Matching Grant Scheme was already two months longer than the previous one which meant that the institutions would have nine months to achieve their targets. He pointed out that the younger universities, such as the Hong Kong University of Science and Technology, had been very successful in securing private donations under the Second Matching Grant Scheme. It would be unfair to others if institutions which were unable to secure donations were given more favourable treatment. Besides, the institutions were in general satisfied with the arrangements made under the matching grant schemes.

23. Dr Fernando CHEUNG said that the heads of institutions were exhausted in securing donations. He remained of the view that more assistance should be given to the smaller and younger institutions which had difficulties in securing donations. SEM said that he had met with the heads of the eight UGC-funded institutions who had not expressed difficulties with the forthcoming Third Matching Grant Scheme. Given the success of the previous two schemes, a change in the mode of operation of the third scheme might not be necessary.

24. Mr LEUNG Kwok-hung made reference to the diary of one of the heads of UGC-funded institutions which showed that all of his time was devoted to solicit donations for his institution. He said that the large amount of donations received by universities overseas was attributed to the high profits tax in these overseas countries such that businessmen/business enterprises would prefer to donate their proceeds to universities rather than to pay tax. To induce more donations for local universities, a

tiered tariff system for profits tax should be adopted in Hong Kong to encourage businessmen/business enterprises to donate their proceeds in an attempt to reduce their tax burden. In this way, the heads of institutions would not face as much difficulty in soliciting donations. He also supported that more funds should be allocated to smaller institutions, such as the Lingnan University, which lacked the full facilities of a university. He further urged the Administration to review the funding for universities, including funding for sub-degree programmes.

25. SEM said that he was not in a position to comment on taxation which fell outside his purview. He added that UGC had concluded the Higher Education Review in 2002 and sought views and feedback on this document. He would be pleased to provide Mr LEUNG with copies of the publications.

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

27. The meeting was adjourned at 3:15 pm.