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Panel on Education

Background brief prepared by the Legislative Council Secretariat for the meeting on 10 January 2011

Higher education in the development of education services

Purpose

This paper summarizes the concerns of the Panel on Education ("the Panel") on issues relating to higher education in the development of education services.

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. 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. In the Third Legislative Council, the Panel discussed issues relating to higher education in the context of considering the development of education services and in the briefing by the Chairman of the UGC on the work of the UGC. 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 been kept at 14 500 without adjustment. 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.

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 recurrent expenditure on education was around 25% of the total expenditure of the Government. 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 had earmarked two urban sites in Ho Man Tin and Wong Chuk Hang and three sites in the New Territories to support the development of self-financing higher education. The proposal to increase the total commitment of the Start-up Loan Scheme by \$2 billion was to meet the expected loan requirements from institutions for developing new college premises at these sites.

Measures to achieve internationalization of higher education

11. In members' view, internationalization of the higher education sector was far from successful since 90% of the non-local students studying in Hong Kong came from the Mainland. Members were doubtful whether the Hong

Kong PhD Fellowship Scheme ("the Scheme") launched in September 2009 could help enhance internationalization of the higher education sector as almost half of the applicants were Mainlanders and about 15% came from Pakistan and India.

12. According to the Chairman of the UGC, admission of non-local students was only one of the components of internationalization of the higher education sector. Other elements, such as the teaching staff complement of the institutions and the curriculum also had a bearing. Although Hong Kong was renowned as a developed city, its tertiary institutions were not widely recognized. As the Scheme was only at its early stage, it was hoped that in about five years' time, local institutions could build up and make known their reputations worldwide to attract students of different ethnic backgrounds. Apart from attracting non-local students to study in Hong Kong, sending local students to attend overseas exchange programmes was another means to achieve internationalization of the higher education sector. The UGC had been encouraging the institutions to provide opportunities for each local student to study in an overseas institution for at least one term to broaden their horizon.

New sites for self-financing post-secondary institutions

13. 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.

14. 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.

Review of higher education

15. Members sought information on the review of higher education undertaken by the UGC. According to the Administration, the UGC had embarked on the Higher Education Review 2010 which aimed to identify new issues facing Hong Kong's higher education sector and to discern world trends, with a view to recommending strategies for the future development of Hong Kong's higher education. The Review would examine the development of the higher education sector in the context of the entire landscape of the post-secondary education with particular emphasis on the degree awarding sector. The Review would look at sector-wide issues and would not review individual institutions. A working group comprising local and overseas academics had been established to undertake the Review which would look at the demand for and the provision of higher education opportunities, quality assurance for higher education, research support strategy and research funding mechanism, and the position of higher education in Hong Kong in the context of globalization and the rapid development of higher education in the Mainland and the region. The role of the UGC would also be examined in the process.

16. Members sought the view of the UGC on role differentiation among institutions as recommended in the Sutherland Report which suggested that each institution should contribute to building Hong Kong as a regional education hub in its own areas of strength and aspire to be the top in the region.

17. According to the Chairman of the UGC, role differentiation among institutions had been implemented for some time. While it was desirable for each institution to strive to improve its own areas of strength and aspire to be the top in the region, it might not be the most effective way of using public resources. It would also not be easy for the institutions to renegotiate on their respective roles. The UGC would aim to assist institutions to improve their existing operation and this was one of the areas to be covered in the Review.

Latest development

18. The UGC released the Review Report on 1 December 2010. The Report examined general contextual issues and those posed by the growth in the post-secondary education sector with the increase in the availability and diversity of post-secondary education opportunities. It identified ways of facilitating the UGC-funded institutions in their pursuit of excellence and to enhance their contributions to Hong Kong. The present regulatory structure's fitness for purpose, including the role of the UGC was also covered. A total of 40 recommendations were made in the Report for the Government's consideration.

Relevant papers

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

Council Business Division 2
Legislative Council Secretariat
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**Relevant papers on higher education
in the 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 Hansard (English) (page 224)
Legislative Council	22.4.2009	[Question 10] Identification of Six Economic Areas by Task Force on Economic Challenges for Further Development (Hansard English - page 44-47)
Legislative Council	10.6.2009	[Question 7] Six Economic Areas Identified by Task Force on Economic Challenges (Hansard English - page 68-70)
Panel on Education	15.10.2009	Minutes Agenda
Panel on Education	20.10.2009 (Policy Briefing)	Minutes Agenda
Panel on Education	9.11.2009	Minutes Agenda
Panel on Education	14.12.2009 (Item IV)	Minutes Agenda
Panel on Education	11.1.2010 (Item IV)	Minutes Agenda
Panel on Education	21.10.2010 (Item I)	Minutes Agenda