

立法會
Legislative Council

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seen by the Administration)

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Finance Committee of the Legislative Council

Minutes of the 14th meeting
held at Conference Room 1 of the Legislative Council Complex
on Friday, 19 January 2018, at 3:15 pm

Members present:

Hon CHAN Kin-por, GBS, JP (Chairman)
Hon Michael TIEN Puk-sun, BBS, JP (Deputy Chairman)
Hon James TO Kun-sun
Hon LEUNG Yiu-chung
Hon Abraham SHEK Lai-him, GBS, JP
Hon Tommy CHEUNG Yu-yan, GBS, JP
Prof Hon Joseph LEE Kok-long, SBS, JP
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WONG Ting-kwong, GBS, JP
Hon Starry LEE Wai-king, SBS, JP
Hon CHAN Hak-kan, BBS, JP
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP
Hon WONG Kwok-kin, SBS, JP
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon Claudia MO
Hon Steven HO Chun-yin, BBS
Hon Frankie YICK Chi-ming, SBS, JP
Hon WU Chi-wai, MH
Hon YIU Si-wing, BBS
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK, JP

Hon CHAN Chi-chuen
Hon CHAN Han-pan, JP
Hon LEUNG Che-cheung, SBS, MH, JP
Hon Kenneth LEUNG
Hon Alice MAK Mei-kuen, BBS, JP
Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung, JP
Hon Dennis KWOK Wing-hang
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Fernando CHEUNG Chiu-hung
Dr Hon Helena WONG Pik-wan
Hon IP Kin-yuen
Dr Hon Elizabeth QUAT, BBS, JP
Hon Martin LIAO Cheung-kong, SBS, JP
Hon POON Siu-ping, BBS, MH
Dr Hon CHIANG Lai-wan, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon CHUNG Kwok-pan
Hon Alvin YEUNG
Hon Andrew WAN Siu-kin
Hon CHU Hoi-dick
Hon Jimmy NG Wing-ka, JP
Dr Hon Junius HO Kwan-yiu, JP
Hon HO Kai-ming
Hon LAM Cheuk-ting
Hon Holden CHOW Ho-ding
Hon SHIU Ka-fai
Hon SHIU Ka-chun
Hon Wilson OR Chong-shing, MH
Hon YUNG Hoi-yan
Dr Hon Pierre CHAN
Hon CHAN Chun-ying
Hon Tanya CHAN
Hon CHEUNG Kwok-kwan, JP
Hon HUI Chi-fung
Hon LAU Kwok-fan, MH
Dr Hon CHENG Chung-tai
Hon KWONG Chun-yu
Hon Jeremy TAM Man-ho

Members absent:

Hon LUK Chung-hung
Hon Kenneth LAU Ip-keung, BBS, MH, JP

Public officers attending:

Ms Alice LAU Yim, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Ms Carol YUEN, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1
Mr Mike CHENG Wai-man	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Ms Angela LEE Chung-yan, JP	Deputy Secretary for Transport and Housing (Transport)
Ms Louisa YAN	Principal Assistant Secretary for Transport and Housing (Transport) 10
Mr WONG Sai-fat	Deputy Director of Marine
Dr CHOI Yuk-lin, JP	Under Secretary for Education
Ms Elaine MAK Tse-ling	Principal Assistant Secretary for Education (Further Education)
Mr Kevin YEUNG Yun-hung, JP	Secretary for Education
Miss Sharon KO Yee-wai	Acting Deputy Secretary for Education (1)
Mr David LEUNG Chee-kay	Deputy Secretary-General (2), University Grants Committee Secretariat

Other persons attending:

Prof Reggie KWAN Ching-ping	Vice President (Academic), The Open University of Hong Kong
Mr Santiago CHUEN Kwok-wai	Director of Finance, The Open University of Hong Kong

Clerk in attendance:

Ms Anita SIT

Assistant Secretary General 1

Staff in attendance:

Mr Derek LO

Chief Council Secretary (1)5

Ms Ada LAU

Senior Council Secretary (1)7

Mr Raymond SZETO

Council Secretary (1)5

Miss Queenie LAM

Senior Legislative Assistant (1)2

Mr Frankie WOO

Senior Legislative Assistant (1)3

Ms Michelle NIEN

Legislative Assistant (1)5

Action

The Chairman reminded members of the requirements under Rules 83A and 84 of the Rules of Procedure.

Item 1 — FCR(2017-18)48

**RECOMMENDATION OF THE ESTABLISHMENT
SUBCOMMITTEE MADE ON 22 NOVEMBER 2017**

EC(2017-18)9

**HEAD 158 — GOVERNMENT SECRETARIAT : TRANSPORT
AND HOUSING BUREAU (TRANSPORT BRANCH)**

Subhead 000— Operational expenses

2. The Chairman advised that the item sought the approval of the Finance Committee ("FC") of the recommendation of the Establishment Subcommittee made at its meeting held on 22 November 2017, i.e. the recommendation in EC(2017-18)9 to rationalize the grading of the Principal Assistant Secretary for Transport and Housing (Transport) 10 post ("the proposed rationalized post") currently ranked at Assistant Director of Marine (D2) level in Division 5 of the Transport Branch of the Transport and Housing Bureau ("THB") by regrading it to a permanent Administrative Officer Staff Grade C (D2) post to provide pertinent policy support for the development of the logistics and port industries in Hong Kong.

Major duties and effectiveness of work of the proposed rationalized post of Principal Assistant Secretary

3. Mr CHAN Chi-chuen and Ms Claudia MO respectively asked about the specific duties of the proposed rationalized post as regards taking forward legislative proposals and whether the post holder must possess professional legal qualifications. Ms MO also expressed concern about the effectiveness of work of the proposed rationalized post in promoting Hong Kong's logistics services through organizing overseas missions.

4. Deputy Secretary for Transport and Housing (Transport) ("DS(T)") responded that:

- (a) as the International Maritime Organization and the International Labour Organization would review their conventions from time to time, it was necessary for Hong Kong to review and revise the corresponding local legislation periodically, so as to reflect the latest provisions in those conventions. At the same time, the Administration would continue to implement various initiatives to enhance marine safety (such as enacting new legislation against drink and drug boating) and review the regulatory regime for local pleasure vessels. For the said legislative initiatives, the holder of the proposed rationalized post would provide administrative and policy input, while the drafting work would be undertaken by the Department of Justice; and
- (b) logistics was a market-driven sector. To a large extent, the development of the sector was contingent on the ability to foster and maintain good network with business partners. In this regard, the Hong Kong Logistics Development Council ("LOGSCOUNCIL") had all along exchanged the industry's views with the Government and conducted visits to overseas countries to tap into their successful experience in developing logistics or study their new logistics infrastructure and technologies, with a view to promoting exchanges between Hong Kong and the local logistics industries and fostering our marketing network. Such work could help the holder of the proposed rationalized post keep closely in view the long-term development of the logistics industry and global economic trends, so that specific measures conducive to the development of our logistics industry could be formulated.

5. Mr CHAN Chi-chuen was concerned whether the post holder could still effectively discharge his duties in housekeeping of the Marine Department ("MD") after the proposed rationalization of the post from MD to THB. DS(T) replied that at present, each policy bureau had its own office responsible for maintaining communication with its executive departments as well as housekeeping, in order to review and ensure that the departments concerned would be allocated with adequate resources to implement the relevant policy initiatives.

6. Mr WU Chi-wai was dissatisfied that the Administration had not taken heed of the suggestion made by ESC members at the relevant meeting to formulate key performance indicators for the proposed rationalized post. He stressed that prescribing the effectiveness of work through the key performance indicators could help the holder of the proposed rationalized post discharge his major duties. Expressing support for the rationalization proposal, Mr Frankie YICK held that the setting of key performance indicators would be conducive to the formulation of policy objectives to support the development of the logistics industry.

7. On the key performance indicators, DS(T) responded that given the market-driven nature of the logistics industry, its development was affected by factors such as the external economic situation, the development of neighbouring areas as well as consumer demand. When formulating the relevant policies, the Administration (including the holder of the proposed rationalized post) must be flexible and in keeping with the times. Hence it would be difficult to translate the effectiveness of work of the post concerned into quantifiable performance indicators. Permanent Secretary for Financial Services and the Treasury (Treasury) supplemented that suitable assessment would be made by the Administration through internal guidelines, taking into account the job nature of different posts in the civil service. Moreover, the effectiveness of work of some posts would be influenced by the development of the relevant industries or external factors. The Administration must therefore consider a myriad of factors when assessing the effectiveness of work of such posts comprehensively.

8. Responding to the point about policies for developing the logistics industry, DS(T) pointed out that the Administration would soon make available in phases six port back-up sites for the Kwai Tsing Container Terminals ("KTCTs") and introduce legislative amendments to the relevant subsidiary legislation for enhancing marine safety in the two legislative sessions of 2017-2018 and 2018-2019.

9. The Chairman requested that information on the policy objectives in supporting the development of logistics and port industries (including performance indicators) be provided by the Administration for members' reference.

[*Post-meeting note:* The supplementary information provided by the Administration was circulated to members vide LC Paper No. FC154/17-18(01) on 21 February 2018.]

10. Dr CHIANG Lai-wan asked whether the Administration would consult the logistics and port industries on the timetable for implementing the initiatives to facilitate their development and revert to the relevant Panel of the Legislative Council ("LegCo") after the said initiatives and implementation timetable had been finalized.

11. DS(T) responded that various initiatives were being taken forward by the Administration to facilitate the development of logistics and port industries (including legislative amendments to enhance marine safety), and the Panel on Economic Development would be consulted in due course. Separately, the Administration would continue to consult the industries' views on the relevant policies through LOGSCOUNCIL.

Increasing the supply of land for logistics industry

12. Mr Holden CHOW enquired about when the Administration would make available the six port back-up sites (totalling about 18 hectares) in the vicinity of KTCTs.

13. In reply, DS(T) pointed out that those six sites would be incorporated into the port facilities in phases, including three sites to be used as container storage yard, two sites as barge berths and one site for the proposed construction of multi-storey port facilities. Details of their release were as follows:

- (a) for the first batch of the three storage yard sites, the Government was discussing the terms of their use with container terminal operators. It was expected that LegCo would be briefed about the relevant progress within 2018;
- (b) subject to rezoning, the two sites for barge berthing use were expected to be released in the second phase; and
- (c) regarding an identified site in Tuen Mun Area 49, approval from the Town Planning Board had already been obtained

for modern logistics development, and the site was expected to be released in the first quarter of 2018 for the development of third-party logistics.

Voting on FCR(2017-18)48

14. There being no further questions from members, the Chairman put the item FCR(2017-18)48 to vote. The Chairman was of the view that the majority of the members present and voting were in favour of the item, and he declared that the item was approved.

Item 2 — FCR(2017-18)25

LOAN FUND

HEAD 252 — LOANS TO SCHOOLS/TEACHERS

Subhead 106 — Start-up loan for post-secondary education providers

15. The Chairman advised that the item sought FC's approval of a start-up loan of \$400 million ("the loan proposal") to The Open University of Hong Kong ("OUHK"), under the Start-up Loan Scheme ("SLS") for post-secondary education providers, from the Loan Fund to cover part of the development costs of the proposed Nursing and Healthcare Complex ("NHC") for the operation of full-time locally-accredited post-secondary programmes. Dr CHIANG Lai-wan, Chairman of the Panel on Education, said that the loan proposal was discussed and supported by the Panel at its meeting held on 10 April 2017.

Capital works and cost of the proposed Nursing and Healthcare Complex

16. Mr CHAN Chun-ying said that the construction unit cost of the proposed NHC was about \$3,900 per square foot ("sq ft"), which was higher than that of two works projects undertaken by OUHK for the construction of a new building and a new campus (about \$1,400 per sq ft) in 2005 and 2011 respectively. He asked whether the capital cost of NHC was reasonable and what the implementation progress was.

17. Director of Finance, The Open University of Hong Kong ("DF/OUHK") replied that OUHK had recently awarded the piling contract for NHC, and the construction works would commence soon. He pointed out that while tender prices for capital works projects had increased in general, the NHC project site (about 2 000 square metres ("sq m")) was smaller than the abovementioned two projects, which added to the difficulty as well as the construction unit cost of the project. OUHK was of the view that the capital cost under the loan proposal was reasonable.

18. Mr CHAN Chi-chuen and Mr CHAN Chun-ying respectively asked whether the pedestrian link bridge indicated in Enclosure 2 to FCR(2017-18)25 was covered by the capital cost under the loan proposal; and what equipment (such as fixtures and teaching equipment) would be provided in NHC.

19. DF/OUHK responded that:

- (a) the pedestrian link bridge between the new campus and the Ho Man Tin Main Campus was not covered under the loan proposal. OUHK and the Administration were now exploring the technical feasibility of the said link bridge. If the decision was eventually taken to construct the pedestrian link bridge, the capital cost would be borne by OUHK; and
- (b) to cater for the need of nursing and healthcare programmes to be operated at NHC, a sum of \$85 million had been earmarked under the loan proposal for the procurement of equipment and teaching facilities (including healthcare facilities) related to the nursing discipline.

Start-up Loan Scheme for post-secondary education providers

Loan applications and repayment

20. Mr HUI Chi-fung and Mr CHU Hoi-dick sought details about the loan application made by OUHK and asked whether the amount of approved loan was sufficient for the purpose.

21. In response, Vice President (Academic), The Open University of Hong Kong ("VP/OUHK") said that an application for a loan of \$400 million under SLS was made by OUHK to fund the development of NHC for the operation of full-time post-secondary programmes in nursing and healthcare. In the course of application, OUHK had adjusted the target number of student intake (for example, the target number of student intake for the Bachelor of Sports and Recreation Management (Hons) programme had been increased to 40) and advanced the operation of some programmes (from 2020 to 2018) to facilitate consideration by SLS.

22. DF/OUHK supplemented that the Education Bureau ("EDB") informed OUHK of its support about one year after the submission of the loan application. He pointed out that when making the loan application, OUHK had already taken into account the funds raised for the proposed

construction of NHC (including \$281 million from donations and the Hong Kong Jockey Club through the Matching Grant Scheme), the financial position of OUHK, as well as the 10-year loan repayment period (i.e. annual repayment of \$40 million from 2020 onwards), and OUHK considered the proposed loan amount (of \$400 million) reasonable.

23. Mr HUI Chi-fung and Mr IP Kin-yuen enquired about the situation of the borrowing post-secondary institutions being late in repayment or applying for repayment extension since the introduction of SLS in 2001. Mr CHAN Chun-ying sought information from OUHK about the repayment schedule if the loan proposal was approved.

24. Under Secretary for Education ("USED") replied that to date, about \$7 billion of the \$9 billion commitment of SLS had been granted to support various projects undertaken by the post-secondary institutions. In general, the borrowing institutions would repay the loans under the 10-year repayment period, and a total of about \$3.2 billion had been repaid so far. She advised that if a borrowing post-secondary institution had genuine financial difficulties, it could apply for repayment extension of up to 20 years, although interest would be charged on the outstanding loan balance at the no-gain-no-loss rate after the first 10 years. So far, there was no case of late repayment under SLS. DF/OUHK stated that OUHK was expected to start repaying the loan after the operation of NHC (in around September 2020).

25. Mr MA Fung-kwok asked whether loan repayments received from the borrowing post-secondary institutions would be ploughed back into the Loan Fund for the sustainable operation of SLS. Principal Assistant Secretary for Education (Further Education) ("PAS(FE)") replied that loan repayments received from the borrowing institutions would be credited to the General Revenue Account.

Impact on tuition fees of post-secondary institutions

26. Mr IP Kin-yuen and Dr CHIANG Lai-wan were concerned whether any borrowing post-secondary institutions had increased the level of tuition fees in order to meet the loan repayments under SLS, thereby aggravating the financial burden of the students.

27. VP/OUHK replied that OUHK would mainly rely on the funds received from donations and the Hong Kong Jockey Club through the Matching Grant Scheme, as well as its own investment return to repay the SLS loan. As such, the grant of the SLS loan to OUHK would have no impact on the level of its tuition fees. USED supplemented that for

programmes covered by the Government's subsidy schemes, EDB had an established mechanism to monitor the adjustment of the relevant tuition fees by the self-financing post-secondary institutions.

28. Mr HUI Chi-fung pointed out that under SLS, loans would be provided to eligible post-secondary institutions to re-provision existing campuses operating in sub-optimal environment and refurbish the vacant school premises allocated to them, with a view to enhancing the quality of post-secondary education. He enquired about the progress of the Administration's work in this regard.

29. USED responded that the site used by OUHK to construct NHC was not granted had provided support the Land Grant Scheme. PAS(FE) supplemented that the Administration earlier on had provided support to new post-secondary institutions for campus development through that the Land Grant Scheme. On the future demand of campus premises, EDB would continue to maintain communication with the post-secondary institutions and closely keep in view their number of students as well as actual needs.

Nursing and healthcare programmes proposed to be operated by The Open University of Hong Kong

30. Noting that NHC would be used by OUHK to operate nursing and healthcare programmes, Dr Helena WONG asked why OUHK also intended to operate programmes in other disciplines thereat (for example, a Bachelor of Education (Hons) programme).

31. In reply, VP/OUHK said that all teaching programmes proposed to be operated at NHC were related to the nursing and healthcare disciplines. For instance, the Bachelor of Education (Hons) programme would focus on early childhood education, as well as the nursing and healthcare of young children, while the Bachelor of Sports and Recreation Management (Hons) programme would be related to sports, physical and psychological health.

32. Dr Helena WONG asked whether OUHK would increase the number of student intake for nursing and healthcare programmes to be operated at NHC, especially the Higher Diploma in Nursing Studies (General/Mental Health Care) and the Bachelor of Nursing (Hons) programmes, so that nursing talents would be nurtured to address the shortage of healthcare manpower in Hong Kong. She also called on the Administration to increase the number of student intake for nursing studies (particularly those in psychiatry and physiotherapy) in all the

post-secondary institutions. Similar concerns were also expressed by Mr CHAN Chi-chuen and Mr HUI Chi-fung.

33. VP/OUHK responded that applications made by post-secondary institutions for adjusting the number of student intake for nursing studies must accord with the healthcare manpower planning of the Hospital Authority. Regarding the current number of student intake for the relevant disciplines, OUHK expected that the number of student intake for the Higher Diploma in Nursing Studies (Mental Health Care) programme could increase from 70 at present to 120, while that for the Higher Diploma in Nursing Studies (General Health Care) programme could increase to 270. OUHK hoped that the number of student intake for the Higher Diploma in Nursing Studies (General and Mental Health Care) programmes could be further increased. He added that before the commencement of the relevant programmes, the healthcare equipment concerned must also be inspected by the Nursing Council of Hong Kong before the same could be used for teaching purpose.

34. USED replied that EDB would continue to maintain communication with the post-secondary institutions. Regarding the number of student places for medical, nursing and healthcare disciplines, EDB would also facilitate discussion between the institutions and the relevant policy bureaux/departments and organizations, so that adjustments could be made by the institutions accordingly.

Facilities in the Nursing and Healthcare Complex

35. Mr CHAN Chi-chuen sought information about the share of gross floor area ("GFA") for teaching facilities in relation to the total GFA of NHC, and whether any ratio of GFA for teaching facilities had been set by the Administration for similar projects. VP/OUHK replied that the total GFA of the proposed NHC was 18 680 sq m. Apart from the provision of 3 320 sq m for teaching facilities, other facilities essential for supporting student learning (for example, 800 sq m of GFA for providing learning support and student services facilities, and 4 400 sq m of GFA for providing communal area facilities (including break out and circulation areas)) would also be provided in NHC.

36. Dr CHIANG Lai-wan suggested that after completion of NHC, OUHK should open up the facilities thereat for use by other educational institutions. DF/OUHK replied that open space on the ground floor of NHC would be open to public use, and other institutions could also make advance bookings with OUHK for the use of facilities at NHC.

Voting on FCR(2017-18)25

37. There being no further questions from members, the Chairman put the item FCR(2017-18)25 to vote. The Chairman was of the view that the majority of the members present and voting were in favour of the item, and he declared that the item was approved.

Item 3 — FCR(2017-18)49**HEAD 156 — GOVERNMENT SECRETARIAT : EDUCATION BUREAU****Subhead 700 — General non-recurrent****New Item — "Injection into Qualifications Framework Fund"**

38. The Chairman advised that the item sought FC's approval of a new commitment of \$1.2 billion for an injection into the Qualifications Framework ("QF") Fund to generate investment income, so as to continue the sustainable development and implementation of the Hong Kong Qualifications Framework ("HKQF"). Mr KWOK Wai-keung, Chairman of the Panel on Manpower, said that when the proposed injection was discussed by the Panel at its meeting held on 17 October 2017, members supported its submission to FC for consideration.

Promoting the Hong Kong Qualifications Framework

39. Dr Helena WONG enquired about the implementation progress of the Recognition of Prior Learning ("RPL") mechanism under QF for the beauty industry. She suggested that the Administration could, through RPL mechanism, recognize the skills and experience previously gained by beauty practitioners in using cosmetic devices and step up the necessary training and assessment pertaining to the use of such devices, thus facilitating its work on regulating the use of cosmetics/medical devices in the future, while helping to improve the overall service standard of the beauty industry. Similar views were expressed by Dr CHIANG Lai-wan.

40. Dr Helena WONG also requested the Administration to implement QF for the plumbing trade, so that continuing professional development programmes could be designed for plumbers in different stages of career development to enhance their professional standards and knowledge in the plumbing trade. Referring to the Waterworks (Amendment) Bill 2017 which would soon be introduced into LegCo, she considered that attendance of the relevant continuing professional development programmes should be a prerequisite for the renewal of licence/registration

by plumbers to ensure that persons authorized to provide instruction and supervision for others to carry out specified plumbing works under the proposed new system were keeping abreast with the latest knowledge regarding drinking water safety and the relevant legislation.

41. In response, USED pointed out that:

- (a) RPL mechanism was implemented on a voluntary basis with the aim of allowing the knowledge, skills and experience gained by practitioners from different backgrounds to be formally recognized under QF, thereby encouraging them to pursue continuous professional development and lifelong learning;
- (b) EDB would set up Industry Training Advisory Committees ("ITACs") for various industries/sectors to implement QF and exchange views on the training needs and manpower development for respective industries or sectors; and
- (c) QF was not concerned about regulation of the trades (including regulating the equipment used by the trades or regulating their practitioners). Nonetheless, EDB would maintain communication with the bureaux/departments concerned, as well as the respective trades and trade organizations to complement their development.

42. Dr CHIANG Lai-wan, Mr IP Kin-yuen and Mr KWOK Wai-keung pointed out that QF-recognized qualifications had yet to become prevalent among employers and hence, they called on the Administration to introduce measures to enhance the recognition of QF-recognized certificates.

43. USED stated that EDB had already featured QF language in its civil service recruitment exercises with a view to raising public awareness of QF. Moreover, the Administration also planned to extend the arrangement to other government departments and more recruitment exercises in the future.

44. PAS(FE) supplemented that pilot projects on the development of vocational qualifications pathway ("VQP") for the automotive, banking and property management industries had been conducted successively in 2017. The vocational qualifications developed would further link up QF-recognized qualifications to the workplace and attract new blood, while encouraging practitioners to pursue learning and upgrading. The Administration would extend VQP development to other industries as

appropriate and in phases, subject to consultation with various ITACs to ascertain the readiness of the relevant industries in doing so.

Financial position of the Qualifications Framework Fund

45. Mr POON Siu-ping pointed out that all along, EDB had been deploying funds out of the approved commitment for the Qualifications Framework Support Schemes ("QFSS") for meeting the cash flow requirements of the initiatives under QF Fund, but as at November 2017, the remaining balance of QFSS was nearly exhausted. He enquired about the total amount of funds deployed by EDB from the commitment for QFSS to QF so far, and how the Administration would cope with the continuously increasing expenditure from QF Fund in the future.

46. USED responded that so far, about \$13 million of the investment return from the \$1 billion endowment of QF Fund had been used by the Administration to meet the expenditure incurred by QF. The Administration expected that the annual expenditure from QF Fund would remain at around \$50 million in the coming four years. Subject to the approval of the proposed injection and on the assumption that the rate of return would be in the range of 2.4% to 3.3% per annum, the annual investment income of QF Fund at around \$52.8 million to \$72.6 million in the coming four years would be sufficient to meet the expenditure from QF Fund during the said period. She supplemented that generally, expenditure from QF Fund should be met by its investment return. However, there might be times of market volatility where the Administration had to adjust the expenditure in the light of the reduced income or use a small part of the endowment of QF Fund to finance the funding required under exceptional circumstances.

47. Mr IP Kin-yuen considered it inflexible to adopt the current arrangement of placing QF Fund with the Exchange Fund for investment for a term of six years, during which the amount of principal sum could not be withdrawn. Moreover, the annual expenditure incurred by QF had been continuously increasing since 2014-2015. Hence he suggested that consideration should be given to converting the expenditure incurred by QF as an item of recurrent expenditure to be met by the Administration annually. A similar suggestion was made by Mr CHAN Chi-chuen.

48. USED responded that a decision on how to invest the \$1.2 billion under the projected injection would be made by the Steering Committee on Qualifications Framework Fund. While noting the above suggestion made by Mr IP Kin-yuen, she said that when QF Fund was established by the Government in 2014 with an endowment of \$1 billion, the aim was to

provide a steady source of income to support the schemes/initiatives for the sustainable development and implementation of QF. Any changes to the mode of funding for QF would be subject to discussion. She reiterated that should investment return be reduced, the Government could adjust the expenditure or use a small part of the endowment of QF Fund to finance the funding required for implementing QF.

49. Given that QF Fund was not established by resolution passed by LegCo under section 29 of the Public Finance Ordinance (Cap. 2), Mr CHU Hoi-dick asked whether the sum of its expenditure would be shown in the government accounts. He also said that as the operation of QF Fund was sustained by investment return, its operating expenditure could be reduced in case of market volatility. Hence, in the long run, it would be safer to fund the operation of QF Fund through the Government's General Revenue Account.

50. In response, Permanent Secretary for Financial Services and the Treasury (Treasury) said that the Government would consider establishing funds in specific policy areas to generate stable investment income to meet long-term financial need. In terms of operation, for funds established with FC's approval which were housed outside the government accounts, the Government would, upon their establishment, transfer financial provisions from the General Revenue Account and make suitable investment arrangements, so that investment return could be generated subsequently to meet the day-to-day operating expenses of specific projects or schemes.

Voting on FCR(2017-18)49

51. There being no further questions from members, the Chairman put the item FCR(2017-18)49 to vote. The Chairman was of the view that the majority of the members present and voting were in favour of the item, and he declared that the item was approved.

52. The meeting was suspended at 5:13 pm and resumed at 5:28 pm.

Item 4 — FCR(2017-18)50

HEAD 190 — UNIVERSITY GRANTS COMMITTEE

Subhead 700 — General non-recurrent

New Item — "Injection into the Research Endowment Fund"

53. The Chairman advised that the item sought FC's approval of a new commitment of \$3 billion for an injection into the Research Endowment

Fund ("REF") for providing non-means-tested studentships for local students enrolled in University Grants Committee ("UGC")-funded research postgraduate ("RPg") programmes, with a view to incentivizing more local students to apply for admission to RPg programmes. Dr CHIANG Lai-wan, Chairman of the Panel on Education, said that when the proposed injection was discussed by the Panel at its meeting held on 3 November 2017, members supported its submission to FC for consideration.

Employment prospects of graduates of research postgraduate programmes

54. Mr SHIU Ka-chun, Mr Charles Peter MOK, Mr YIU Si-wing, Dr CHENG Chung-tai, Mr Holden CHOW and Dr CHIANG Lai-wan were concerned about the employment prospects of graduates of RPg programmes ("RPg graduates"). Mr MOK pointed out that as Hong Kong's current innovation and technology ("I&T") market could not absorb all I&T RPg graduates, some of them had to work overseas and hence, resulting in a drain of local talents. Mr YIU asked whether the Administration had any plans to assist local RPg graduates in seeking employment and development opportunities in the Guangdong-Hong Kong-Macao Bay Area ("the Bay Area") or the Belt and Road countries.

55. Secretary for Education ("SED") gave a consolidated response as follows:

- (a) the Administration had been striving to attract overseas I&T as well as research and development ("R&D") institutions to invest in Hong Kong and engage local I&T talents. The Administration would also hold discussions with the relevant Mainland authorities on ways to support Hong Kong people under the development of the Bay Area; and
- (b) under the "Postdoctoral Hub" programme and the enhanced "Internship Programme" to be launched under the Innovation and Technology Fund ("ITF") as announced in the Policy Address, the Innovation and Technology Bureau ("ITB") would provide funding support to organizations undertaking ITF projects as well as incubatees and tenant companies of the Hong Kong Science and Technology Parks Corporation and Cyberport for recruiting university graduates and postdoctoral talents for R&D work.

56. Regarding SED's response, Mr Charles Peter MOK said that the I&T industry was of the view that inadequate employment support had been provided by the Administration to RPg graduates.

Objectives and operation of the non-means-tested studentships

57. Mr SHIU Ka-chun and Dr CHENG Chung-tai declared that they were teaching staff of local universities. They were concerned whether the Administration would require or suggest local universities to use the studentships scheme to operate additional RPg programmes in specific departments (such as humanities, social work or nursing), so as to cater for the need of Hong Kong society in the long run.

58. SED replied that the operation of RPg programmes by local universities was an issue within their own institutional autonomy, and UGC would not impose any restriction on the allocation of resources by local universities for operating RPg programmes.

59. Dr CHIANG Lai-wan called on the Administration to monitor the effectiveness of the studentships scheme in incentivizing more local students to apply for admission to RPg programmes. Dr CHENG Chung-tai also held that the Administration should step up monitoring on the use of studentships by local universities. He said that at present, local students of Master of Philosophy ("MPhil") or Doctor of Philosophy ("PhD") programmes might be employed as tutors of universities to help meet their tuition expenses, but he was worried that local universities would stop employing local MPhil and PhD students as tutors of universities on the grounds that they were already provided with the studentships.

60. SED responded that under the studentships scheme, tuition fees payable by local MPhil and PhD students would instead be paid by the Government to the universities concerned. It was not envisaged that the studentships scheme would have any impact on either the financial position of local universities or their demand and arrangements for teaching staff.

61. Dr KWOK Ka-ki asked whether the number of local RPg students receiving the studentships would be reduced if the rate of return and investment income of the studentships scheme were lower than the Administration's projections (i.e. in the range from 2.4% to 3.3% per annum and around \$72 million to \$99 million per annum respectively).

62. SED responded that under the proposed scheme, there would be no cap on the number of local RPg students receiving the studentships each

year, and about 1 710 to 2 350 local students were expected to be provided with the studentships annually. UGC would use its own resources to cover any shortfall if the investment return turned out to be lower or the number of eligible local RPg students higher than expected. Separately, subject to FC's approval of the proposed injection, it would still take time to generate investment income from the endowment to fund the studentships scheme. The Administration would hence deploy, as a one-off measure, existing resources for UGC to provide sufficient studentships for all local RPg students to be enrolled in the 2018-2019 academic year.

63. Mr Charles Peter MOK and Mr CHU Hoi-dick expressed views on the policy objective of the studentships schemes as follows:

- (a) Mr MOK said that the Research Grants Council ("RGC") had earlier announced that due to financial difficulties, it would only grant 90% of the funding for approved research projects in the 2018-2019 academic year. He was concerned whether the studentships scheme could relieve the worries of researchers and RPg students in universities as regards funding support for research projects; and
- (b) Mr CHU criticized that as no clear-cut policy goals had been set for the studentships scheme, for example, what the target number of local RPg students to be benefitted would be or how it could support the development of individual industries, it would be difficult to review its effectiveness.

64. SED gave a consolidated response as follows:

- (a) the Administration respected RGC's decision on how to allocate its resources. Separately, EDB had written to RGC earlier expressing the wish for RGC to maintain a consistent level of funding support for research projects undertaken by local universities. Should RGC's liquidity fall short of expectation due to a lower return on investment, RGC could utilize part of the principal of the Research Endowment Fund as an interim measure to maintain the level of funding support for research projects. He said that the Administration would later provide supplementary information to FC in this regard; and
- (b) the Government respected the choice and interests of local students in pursuing RPg programmes, and no target was set

under the studentships scheme on the number of local RPg students to be benefitted. Separately, given the Administration's expectation on a keen demand in future for local scientific and technological research talents, ITB had already forwarded the projected demand for scientific and technological research talents to UGC for consideration by local universities when planning for the operation of relevant programmes.

[*Post-meeting note:* The supplementary information provided by the Administration was circulated to members vide LC Paper No. FC172/17-18(01) on 7 March 2018.]

Master of Philosophy programmes of local universities and student quotas

65. Dr Helena WONG declared that she was a teaching staff of The Hong Kong Polytechnic University. She and Mr IP Kin-yuen were worried that during the 2012-2013 to 2016-2017 academic years, the numbers of MPhil students in local universities were generally in decline because some local universities had reduced the number of intakes admitted to MPhil programmes or the number of MPhil programmes they offered in the hope of obtaining more funding support from UGC through increasing the intake of PhD students. Dr WONG pointed out that in the 2016-2017 academic year, the City University of Hong Kong ("CityU") only admitted one local MPhil student, while 82 local students were admitted to PhD programmes. This clearly reflected the significantly lower number of MPhil students as compared with PhD students. They pointed out that as most local students tended to regard MPhil programmes as a step towards PhD studies, the above phenomenon might affect the pursuit of further education by local students.

66. SED responded that:

- (a) the Administration was aware of the fluctuations in the number of MPhil students over the past five years (i.e. from the 2012-2013 to 2016-2017 academic years), but such fluctuations could be attributed to different factors such as the personal choice of students; and
- (b) over the past 10 years, the respective aggregate numbers of MPhil and PhD programmes offered by local universities had been maintained at a steady level (i.e. an average of 210 MPhil and 233-240 PhD programmes on offer in each academic year). For example, in the 2016-2017 academic

year, the aggregate numbers of MPhil and PhD programmes offered by local universities were 215 and 241 respectively. EDB would approach CityU for an understanding of the difference in the number of intakes admitted to MPhil and PhD programmes.

[*Post-meeting note:* The supplementary information provided by the Administration was circulated to members vide LC Paper No. FC172/17-18(01) on 7 March 2018.]

67. SED noted the suggestion made by Dr KWOK Ka-ki on the operation of RPg programmes, i.e. the Administration should conduct independent studies outside the local universities and UGC to absorb the views of local students so that RPg programmes which catered to their interests could be operated.

Ratio imbalance between local and Mainland research postgraduate students

68. Dr KWOK Ka-ki, Dr Fernando CHEUNG and Mr IP Kin-yuen were concerned about the imbalance between local and Mainland students admitted to RPg programmes of local universities. Dr KWOK and Dr CHEUNG pointed out that at present, local universities were placing too much emphasis on the number of researches published in international academic journals. As such, they tended to admit Mainland students who focused more on Mainland-related researches which were more highly regarded by international academic journals. They were worried that the scope of academic research as well as the nurturing of local talents might be restricted by such a trend.

69. Dr Fernando CHEUNG suggested that the Administration should formulate long-term planning for providing financial support to local RPg students, while ensuring that they would contribute to Hong Kong society after graduation. He enquired about the impact of the studentships scheme on the ratio of local and non-local RPg students in the next three to five years.

70. SED said that local universities had always selected their RPg students on a merit basis, and sufficient RPg places would be made available for application by local students. The admission of non-local RPg students would not have any impact on the chance for local students to be admitted to RPg programmes. Separately, the Administration expected that with the introduction of the studentships scheme, the number of local RPg students could increase by about 10%.

71. Dr Helena WONG opined that at present, UGC-funded RPg places were not evenly distributed among the eight local universities because excessive emphasis was placed on academic excellence. She suggested that the matter be reviewed by the Administration.

72. SED stated that in its report entitled "Aspirations for the Higher Education System in Hong Kong" published in 2010, UGC suggested that the allocation of RPg places be subject to a competitive process, i.e. in the five years starting from the 2012-2013 academic year, about half of the UGC-funded RPg places would be allocated on a competitive basis, while the remaining half would continue to be allocated on the previous mode of distribution. The above allocation mechanism was implemented only since the 2012-2013 academic year with support by UGC-funded universities after extensive consultation, and the Administration had no plans to review the same for the time being.

73. Deputy Secretary-General (2), University Grants Committee Secretariat supplemented that maintaining the stability of the allocation mechanism of RPg places was conducive to the development of UGC-funded universities. In order to provide steady support to the universities, UGC would not conduct any review on the allocation mechanism for the time being.

Others

74. Responding to Dr KWOK Ka-ki's question, SED said that local universities had all along been committed to providing dormitory places to RPg students, although some RPg students were still waiting for the allocation of dormitory places. He agreed to provide the number of students yet to be provided with dormitory places after the meeting.

[Post-meeting note: The supplementary information provided by the Administration was circulated to members vide LC Paper No. FC172/17-18(01) on 7 March 2018.]

75. Responding to Mr YIU Si-wing's question about the support provided to local students pursuing RPg programmes in overseas countries, SED said that under the Hong Kong Scholarship for Excellence Scheme, EDB would support up to 100 outstanding local students per cohort to pursue studies in world renowned universities outside Hong Kong, and some awardees would pursue RPg programmes outside Hong Kong with the scholarship. Awardees would be required to complete the specific study programmes and undertake to return to Hong Kong upon graduation

to work for at least two years or a period equivalent to the duration of receiving the scholarship, whichever was longer.

76. Mr CHU Hoi-dick noted that the total number of non-local graduates as shown by the Graduate Employment Survey conducted annually by UGC-funded universities was always much higher than the number of responded non-local students who emigrated or returned to their country of origin, and he enquired about the reasons for that.

77. SED said that the discrepancy between the number of non-local students who responded to the above survey and the total number of non-local graduates might be due to the fact that those responded non-local students had already taken up full-time employment with unspecified working location. He agreed to provide the relevant supplementary information after the meeting.

[Post-meeting note: The supplementary information provided by the Administration was circulated to members vide LC Paper No. FC172/17-18(01) on 7 March 2018.]

Voting on FCR(2017-18)50

78. There being no further questions from members, the Chairman put the item FCR(2017-18)50 to vote. The Chairman was of the view that the majority of the members present and voting were in favour of the item, and he declared that the item was approved.

79. The meeting ended at 7:25 pm.

Legislative Council Secretariat
26 October 2018