

# OFFICIAL RECORD OF PROCEEDINGS

Thursday, 20 December 2012

The Council continued to meet at Nine o'clock

## MEMBERS PRESENT:

THE PRESIDENT

THE HONOURABLE JASPER TSANG YOK-SING, G.B.S., J.P.

THE HONOURABLE ALBERT HO CHUN-YAN

THE HONOURABLE LEE CHEUK-YAN

THE HONOURABLE JAMES TO KUN-SUN

THE HONOURABLE CHAN KAM-LAM, S.B.S., J.P.

THE HONOURABLE LEUNG YIU-CHUNG

THE HONOURABLE TAM YIU-CHUNG, G.B.S., J.P.

THE HONOURABLE TOMMY CHEUNG YU-YAN, S.B.S., J.P.

THE HONOURABLE WONG KWOK-HING, M.H.

THE HONOURABLE JEFFREY LAM KIN-FUNG, G.B.S., J.P.

THE HONOURABLE ANDREW LEUNG KWAN-YUEN, G.B.S., J.P.

THE HONOURABLE WONG TING-KWONG, S.B.S., J.P.

THE HONOURABLE RONNY TONG KA-WAH, S.C.

THE HONOURABLE CYD HO SAU-LAN

THE HONOURABLE STARRY LEE WAI-KING, J.P.

DR THE HONOURABLE LAM TAI-FAI, S.B.S., J.P.

THE HONOURABLE CHAN HAK-KAN, J.P.

THE HONOURABLE CHAN KIN-POR, B.B.S., J.P.

DR THE HONOURABLE PRISCILLA LEUNG MEI-FUN, J.P.

DR THE HONOURABLE LEUNG KA-LAU

THE HONOURABLE CHEUNG KWOK-CHE

THE HONOURABLE WONG KWOK-KIN, B.B.S.

THE HONOURABLE IP KWOK-HIM, G.B.S., J.P.

THE HONOURABLE MRS REGINA IP LAU SUK-YEE, G.B.S., J.P.

THE HONOURABLE PAUL TSE WAI-CHUN, J.P.

THE HONOURABLE ALAN LEONG KAH-KIT, S.C.

THE HONOURABLE LEUNG KWOK-HUNG

THE HONOURABLE ALBERT CHAN WAI-YIP

THE HONOURABLE CLAUDIA MO

THE HONOURABLE MICHAEL TIEN PUK-SUN, B.B.S., J.P.

THE HONOURABLE JAMES TIEN PEI-CHUN, G.B.S., J.P.

THE HONOURABLE NG LEUNG-SING, S.B.S., J.P.

THE HONOURABLE STEVEN HO CHUN-YIN

THE HONOURABLE FRANKIE YICK CHI-MING

THE HONOURABLE WU CHI-WAI, M.H.

THE HONOURABLE YIU SI-WING

THE HONOURABLE GARY FAN KWOK-WAI

THE HONOURABLE MA FUNG-KWOK, S.B.S., J.P.

THE HONOURABLE CHARLES PETER MOK

THE HONOURABLE CHAN CHI-CHUEN

THE HONOURABLE CHAN HAN-PAN

THE HONOURABLE CHAN YUEN-HAN, S.B.S., J.P.

THE HONOURABLE LEUNG CHE-CHEUNG, B.B.S., M.H., J.P.

THE HONOURABLE KENNETH LEUNG

THE HONOURABLE ALICE MAK MEI-KUEN, J.P.

DR THE HONOURABLE KWOK KA-KI

THE HONOURABLE KWOK WAI-KEUNG

THE HONOURABLE DENNIS KWOK

THE HONOURABLE CHRISTOPHER CHEUNG WAH-FUNG, J.P.

DR THE HONOURABLE FERNANDO CHEUNG CHIU-HUNG

THE HONOURABLE SIN CHUNG-KAI, S.B.S., J.P.

DR THE HONOURABLE HELENA WONG PIK-WAN

THE HONOURABLE IP KIN-YUEN

DR THE HONOURABLE ELIZABETH QUAT, J.P.

THE HONOURABLE MARTIN LIAO CHEUNG-KONG, J.P.

THE HONOURABLE POON SIU-PING, B.B.S., M.H.

THE HONOURABLE TANG KA-PIU

DR THE HONOURABLE CHIANG LAI-WAN, J.P.

IR DR THE HONOURABLE LO WAI-KWOK, B.B.S., M.H., J.P.

THE HONOURABLE CHUNG KWOK-PAN

THE HONOURABLE CHRISTOPHER CHUNG SHU-KUN, B.B.S., M.H., J.P.

THE HONOURABLE TONY TSE WAI-CHUEN

**MEMBERS ABSENT:**

DR THE HONOURABLE LAU WONG-FAT, G.B.M., G.B.S., J.P.

THE HONOURABLE EMILY LAU WAI-HING, J.P.

THE HONOURABLE ABRAHAM SHEK LAI-HIM, S.B.S., J.P.

THE HONOURABLE FREDERICK FUNG KIN-KEE, S.B.S., J.P.

THE HONOURABLE VINCENT FANG KANG, S.B.S., J.P.

DR THE HONOURABLE JOSEPH LEE KOK-LONG, S.B.S., J.P.

THE HONOURABLE WONG YUK-MAN

DR THE HONOURABLE KENNETH CHAN KA-LOK

**PUBLIC OFFICERS ATTENDING:**

THE HONOURABLE GREGORY SO KAM-LEUNG, G.B.S., J.P.  
SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT

THE HONOURABLE EDDIE NG HAK-KIM, S.B.S., J.P.  
SECRETARY FOR EDUCATION

**CLERK IN ATTENDANCE:**

MISS ODELIA LEUNG HING-YEE, ASSISTANT SECRETARY GENERAL

**MEMBERS' MOTIONS**

**PRESIDENT** (in Cantonese): Good morning. We now continue to debate the motion on "Small and Medium Enterprises Financing Guarantee Scheme".

**SMALL AND MEDIUM ENTERPRISES FINANCING GUARANTEE SCHEME****Continuation of debate on motion which was moved on 19 December 2012**

**MR SIN CHUNG-KAI** (in Cantonese): This motion moved by Mr CHUNG Kwok-pan is mainly about financing for small and medium enterprises (SMEs). As this Scheme has been implemented for a few months, it is difficult to assess the default rate. Strictly speaking, in order to review whether a loan scheme is successful or not, it is necessary to look at its default rate. It has only been six months since May or June, and if the default rate from May or June to now stands high, then this is basically not financing, but the taking out of bank loans by deception. Therefore, we can find out the cost of lending only by looking at the default rate. Objectively speaking, the provision of an 80% loan guarantee by the Government already amounts to welfarism in economic domains as the operation of SMEs is indirectly subsidized by the Government. Although this is not a direct subsidy, it is obvious that in case of default, the Government will have to bear 80% of the credit risks.

Many colleagues have proposed amendments to this motion, and some are worthy of support, such as the extension of the application period or the loan tenor. From an objective point of view, even without any loan guarantee from the Government, the banks should still provide loans to SMEs. However, all the banks in Hong Kong are "bricks-and-mortar" banks, which means that they rely on "bricks and mortar" or collateral in approving loans. Without collateral, they will not approve the grant of loans. We support this sort of loan guarantee scheme proposed by the Government but frankly speaking, an 80% loan guarantee can already induce banks to expose themselves to moral hazards.

President, we think that if we wish to lower the bank interest rates under this Scheme, we cannot force banks to lower the interest rates in one go. While Mr CHUNG's motion mentions that the Hong Kong Interbank Offered Rate is

very low and that the property mortgage rates are also as low as some 2%, Mr CHUNG must understand that it is difficult to draw a comparison with property mortgage rates in this case, because the property is the collateral for the mortgage loan. The loans for SMEs are not collateral-based and without collateral, banks have to bear very high risks to the extent of deterring SMEs from taking out loans from banks because the risks are reflected in the interest rates. But as the Government is willing to provide an 80% loan guarantee, the banks are, therefore, willing to grant loans. In other words, the banks have shifted the credit risks onto the Government. But to what extent should the Government bear the risks? Six months are too short a period of time, and it is impossible for the risks to be fully reflected. Simply put, the bad debt situation is yet to be known as the number of such cases has been relatively small.

We approved just yesterday an increase in the cap on contingent liability relating to export credit insurance. This *modus operandi* has been in operation for a longer time. The loans, which are export-based, are granted to facilitate export, and this mode of operation has also provided greater certainties to the banks. But concerning this type of SME loan scheme, if banks are required to grant loans to SMEs without any collateral, the banks may not be familiar with its operation, or even both sides may not be familiar with its operation. Under such circumstances, we must be careful, in order to make sure that the Government's loan guarantee commitment will not be used up very soon as a result of the Government having to bear excessively high risks in providing an 80% loan guarantee.

President, the Democratic Party will support several amendments, but we must warn the Government that it must be careful with the default rate and that premature relaxation of these schemes is inappropriate. It is only when their effectiveness has been established and the default rate is considered manageable that the Government can gradually relax these schemes. After breeding and experimenting with these schemes for a certain period of time, the Government may perhaps reintroduce them in future, and this is not surprising at all. With regard to the implementation of these schemes, I think it is most important to pay attention to the default rate and whether the Government is made to bear the risks. Excessive lending will enable those SMEs that cannot secure financing originally to take out bank loans because of an 80% loan guarantee provided by the Government, but this may cause SMEs to suffer greater losses.

President, the Democratic Party will support several amendments, but we hope that the Government will pay attention to the default risks.

**MR NG LEUNG-SING** (in Cantonese): President, there is no doubt that SMEs are an important cornerstone of the Hong Kong economy. The healthy development of SMEs also has a bearing on various aspects, including the economy, employment and the people's livelihood. The creation of a business environment which is conducive to the sustainable development of SMEs will help foster stability in society. It is, therefore, reasonable and justifiable that the Government is indeed duty-bound to do so.

Over the past decade or so, there have been ups and downs in the global economy with financial crises happening frequently. Local enterprises, especially the many SMEs, have faced a host of challenges. In view of this, the Government and the relevant organizations have implemented quite a number of measures and provided much assistance to support the development of SMEs. One of these initiatives is the SME Financing Guarantee Scheme (the Scheme) introduced by the Hong Kong Mortgage Corporation Limited (HKMC) on New Year Day in 2011, under which a 50% to 70% loan guarantee is provided to facilitate financing. The economic turbulence in European countries and the United States has exacerbated volatility in the external economy. This has made it increasingly difficult for SMEs to secure financing. With the support of the Government of the Hong Kong Special Administrative Region, the HKMC further introduced the Special Concessionary Measures on the basis of the Scheme on 31 May. Under these measures, the loan guarantee ratio is increased to 80% and the guarantee fee is discounted substantially. When the Government implements policies which are favourable to businesses, the banks, being the head of all sectors and industries, should obviously provide support. There are, at present, 30 financial institutions participating in the loan scheme. Here, I should make a declaration in passing: I have worked in the banking industry for a long time. I have witnessed the long partnership relationship between SMEs and banks as they support each other and provide assistance to each other, achieving a win-win situation to their reciprocal benefit. This has facilitated their mutual development in the long term and enabled SMEs to develop into large enterprises.

The motion mentions that "under the Scheme, banks only need to bear 20% of the risks, but the interest rates levied are on a par with the interest rates of



ordinary commercial loans" and that "the interest rates under the Scheme are unreasonable". With regard to these comments, President, I will try to analyse them from the operation of banks in respect of the lending interest rates for Members' reference.

Banks are financial institutions operating on commercial principles with the objective of making profits for the many shareholders — most banks are now listed companies — while bearing certain risks at the same time. In approving loans for business enterprises, banks will focus on whether the enterprises seeking financing have sufficient ability to repay their loans as well as their business prospects.

If we look at ordinary commercial loans, we will see that the banks rely on collateral in most cases and yet, they still have to bear a certain degree of risks, and the interest rate is 5% or above in most of these cases. But under the Scheme, although banks have an 80% loan guarantee provided by the HKMC, the borrowing enterprises are not required to provide any assets as collateral. To ensure prudent lending, even if banks bear 20% of the risks, these loans absolutely cannot be taken as carrying zero default risk and hence not requiring preparation for losses; nor can they be taken as zero-risk arrangements.

Moreover, SMEs are generally not large in scale and their asset position is quite weak. This has naturally made it more difficult for them to secure financing. That the Government has to increase the loan guarantee ratio to reduce the banks' share of the credit risks is clear proof.

These several points have explained why banks need to strike a reasonable balance between the risks borne by them and the return on the interest rate spread, in order to achieve effective risk management and fulfil their social responsibilities, which will ultimately guarantee the prudent operation of banks and bring about long-term stability in various trades and industries in the financial centre.

Two thirds of the implementation period of the Special Concessionary Measures have now lapsed. As at 7 December, 4 781 applications were approved, involving a total loan guarantee amount of HK\$17.26 billion. These measures have basically continued to be implemented, and a certain amount of loan guarantee has already been provided successfully. Of course, these

approved cases have accounted for only about 17% of the maximum guarantee commitment of \$100 billion, and there is still plenty of room for applications to be made. Mr Peter PANG, Executive Director of the HKMC, has said recently that the average loan interest rate under the Special Concessionary Measures is 4.6%. There is reason to believe that the lending institutions have made suitable adjustments to the interest rates in the light of the risks involved, hoping to achieve a win-win situation for both lenders and borrowers.

President, the Hong Kong Productivity Council has recently released the findings of the "Hong Kong SME Leading Business Index" which reported an Overall Index of 46.3 for the fourth quarter, which is still below the 50 no-change mark. Despite a modest increase over last quarter's index, which reflects a slightly improved economic outlook, the overall business sentiment remains gloomy. Besides, according to the CPA Australia Asia-Pacific Small Business Survey 2012, while the SMEs interviewed remain confident in the overall economic prospects of Hong Kong, 40% of them predict that their business will not record positive growth in 2013; and 83% of Hong Kong businesses expect that they will require additional funding but only 15% of them believe that they are able to take out certain loans.

In view of this, I think at the expiry of the Special Concessionary Measures early next year, it will be necessary to extend the application period of these measures in order to continuously provide assistance to SMEs in financing. This, I will support.

President, SMEs are a major pillar of the economy of Hong Kong. I believe with the Government's assistance, the support of the financial services sector, and the efforts made by the SMEs in their operation, the difficulties that SMEs face at the moment will pass eventually and the economy will have a bright future.

President, I so submit.

**PRESIDENT** (in Cantonese): Does any other Member wish to speak?

(No Member indicated a wish to speak)

**PRESIDENT** (in Cantonese): If not, Mr CHUNG Kwok-pan, you may now speak on the amendments. The speaking time limit is five minutes.

**MR CHUNG KWOK-PAN** (in Cantonese): President, in proposing this motion today, my original intention is to help SMEs resolve their financing difficulties. I am very glad that Members proposing amendments also wish to truly assist SMEs, and their attitude is close to that of the Liberal Party. Mr Jeffrey LAM's amendment adds the proposal of allowing enterprises' subsidiaries or related entities, after providing proofs, to make independent applications and be able to obtain the maximum loan amount. This, I agree. But Mr Jeffrey LAM's amendment deletes the part in the original motion about financial institutions levying high interest rates, which is the core of the problem, thus failing to address squarely the actual difficulties of SMEs because high interest rates are precisely the most difficult problem encountered by SMEs in securing financing. His amendment has played down our strong demand on banks to lower the interest rates, giving us the feeling that he is protecting and helping the banking industry. Therefore, the Liberal Party considers this disappointing and incomprehensible.

Mr Dennis KWOK's amendment has highlighted the thrust of the problem in pointing out that the interest rates of loans have remain persistently high and therefore, I think it is worthy of support. Mr TANG Ka-piu's amendment has added the proposal of allowing loans to be used for meeting operational expenditures such as taking out various types of insurance and staff training, and so on, apart from calling for a review of the needs of implementing the Scheme and its adequacy. This basically does not affect the operation of the Scheme and can even directly expand the scope of the use of the loan, while facilitating the development of SMEs. I, therefore, consider it worthy of support. Thank you, President. I so submit.

**SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT** (in Cantonese): President, I thank Members for their valuable opinions on the Special Concessionary Measures under the SME Financing Guarantee Scheme (the Scheme). As I said in my opening remarks, in the light of the current uncertain external economic environment, local enterprises, in particular SMEs, may face

liquidity problem as a result of possible credit crunch. In view of this, special time-limited concessionary measures were introduced under the Scheme of The Hong Kong Mortgage Corporation Limited (HKMC) on 31 May this year, providing an 80% loan guarantee to enterprises at a concessionary level of guarantee fee. The Government will provide a maximum guarantee commitment of \$100 billion for the concessionary measures. The Special Concessionary Measures are open for applications for nine months up to end-February 2013.

I will now give a response to the major issues mentioned by Members.

First, the borrowing cost of enterprises under the Special Concessionary Measures. Mr CHUNG Kwok-pan mentioned that the cost of enterprises in taking out loans under the Special Concessionary Measures is more or less the same as the interest rates for ordinary commercial loans. He proposed that the Government should negotiate with banks to lower the interest rates under the Scheme. First of all, I must emphasize that for the various loan guarantee schemes with loan guarantee commitment made by the Government, including the Special Loan Guarantee Scheme which has already expired, the ongoing SME Loan Guarantee Scheme, and the Special Concessionary Measures under the Scheme, the objective is to foster the confidence of lending institutions in granting loans through the provision of loan guarantee by the Government, thereby helping enterprises to secure financing in the commercial loan market. Therefore, I must stress that the interest rate of each commercial loan is an individual business decision made by the lending institution. In approving loans, the lending institutions have to take into account a host of relevant factors before determining the interest levels, including the borrower's operational, financial and repayment ability, the type and nature of credit facility, the loan amount and repayment tenure, the capital cost of banks, the type, quality and marketability of the security pledged, and customers' relationship with the bank, and so on.

The loan guarantee ratio under the Special Concessionary Measures has now increased to 80% from a maximum of 70% under the Scheme, with the guarantee fee being lowered substantially by about 70%. In times of poor economic conditions or when the lending market is under pressure, these measures can effectively help SMEs obtain loans from lending institutions to meet their financing needs while at the same time alleviating the burden on SMEs. The average amount of loan facilities granted with an 80% guarantee under the Special Concessionary Measures is around HK\$4.5 million, which is

obviously higher than an average of HK\$3.5 million before the introduction of these measures. This shows that the measures have effectively increased banks' confidence in lending to SMEs. The average interest rate under the Special Concessionary Measures is 4.6% per annum, and without the support of an 80% guarantee provided by the Government, the interest rate may be as high as 8% to 12% according to the estimate of the HKMC, which is more or less the same as the interest rates for unsecured commercial loans in the market.

On the other hand, we can draw a comparison with the application statistics of the Scheme before the Special Concessionary Measures were introduced. The average interest rate for loans approved under the Scheme with a 50% to 70% guarantee was 5.3% per annum and together with the annual guarantee fee rate of 1.5%, the total borrowing cost was around 6.8% on average. As the guarantee fee under the Scheme has been substantially reduced with the annual guarantee fee rate being lowered to around 0.5%, the average total borrowing cost is, therefore, reduced to about 5.1%, which is obviously less than the total borrowing cost before the introduction of the Special Concessionary Measures. This shows that the Special Concessionary Measures can help reduce the borrowing cost of enterprises. If we use the average loan amount of HK\$4.5 million as the base for calculation, each enterprise can save HK\$76,500 in borrowing cost per annum, and in total, the Scheme has enabled SMEs to save over HK\$350 million altogether. This can effectively alleviate the financial burden on SMEs under uncertain external economic circumstances.

Mr CHUNG Kwok-pan holds that the loan interest rates after the introduction of the Special Concessionary Measures are higher than the Hong Kong Interbank Offered Rate (HIBOR) or banks' property mortgage rates. I have to point out that property mortgage loans are collateral-based loans which entail lower risks for banks than unsecured commercial loans. This is why it is indeed common that mortgage property rates are comparatively low. HIBOR is the loan interest rate among lending institutions. It is also inappropriate to directly compare HIBOR and the interest rates charged by banks in granting commercial loans to business enterprises.

Second, there is the view that the maximum guarantee period for the loans should be extended. In respect of the guarantee period, the maximum guarantee period for loans under the Special Concessionary Measures is five years, which is on a par with that for loans granted under the Scheme and the regular SME Loan

Guarantee Scheme under the Trade and Industry Department (TID). Besides, under the Scheme including the Special Concessionary Measures, SMEs are allowed to recycle the guarantee amount for an unlimited number of times after paying up the loan in full, subject to a loan ceiling of \$12 million for the same period of time. We consider it an appropriate arrangement to provide a maximum guarantee period of five years under the Special Concessionary Measures.

Third, there are calls for the lowering of the approval threshold and relaxation of the application restrictions. The purpose of the time-limited Special Concessionary Measures introduced under the Scheme is to enhance banks' confidence in their lending to enterprises in times of poor economic conditions or when the lending market is under pressure, thereby helping SMEs secure loans from lending institutions to meet their financing needs. All eligible enterprises can apply for an 80% loan guarantee, subject to a loan ceiling of \$12 million.

On the vetting and approval of applications, just as we undertook when seeking funding from the Finance Committee, to ensure prudent use of public money, the existing safeguards under the Scheme would continue to apply, so as to ensure that only those enterprises in genuine need and with reasonable business prospects would be able to benefit from these measures. Participating lending institutions are required to exercise professional skill, judgment and care in processing the enterprise's application for a loan under the Scheme including the Special Concessionary Measures in accordance with the Master Deed of Guarantee signed with the HKMC. We consider that the existing arrangement can strike a balance between putting public money to good use and helping SMEs. In processing applications for loan guarantee, the HKMC will carry out further vetting for applications of a higher credit risk by, among other things, requesting additional information for more detailed consideration. As at the end of November, actually only 13 applications were rejected for credit risk consideration and another 11 applications saw the loan amount lowered, accounting for a mere 0.47% of the total number of applications. The risk factors involved in these applications include poor repayment ability, poor financial performance and repayment records, over-indebtedness, poor records of receivables, and involvement in proceedings with significant financial implications. Some Members have also expressed concern over default on loans secured under the Special Concessionary Measures of the Scheme. Information

shows that no default case has been recorded for loans granted under the Special Concessionary Measures of the Scheme so far.

President, I would like to talk about the initiatives taken to enhance communication between banks and SMEs. The HKMC has all along maintained communication with the lending institutions and various relevant organizations, with a view to providing timely support to local enterprises. During the introduction of the Special Concessionary Measures, the HKMC had actively participated in a number of seminars organized by banks or SME organizations to directly explain the details of the Scheme and the application arrangements to SMEs in need.

The Support and Consultation Centre for SMEs (abbreviated as SUCCESS) of the TID has been vigorously providing free and reliable information and consultation services for SMEs. Between January 2010 and end-November 2012, SUCCESS organized nine seminars and workshops on financing for SMEs to discuss and explore with SMEs such issues as financing strategies, financial management skills and credit risk management. Moreover, to help SMEs secure financing and take out commercial loans, the TID, the Hong Kong Association of Banks (HKAB) and Hong Kong Association of Restricted Licence Banks and Deposit-taking Companies (DTC Association) have jointly published a "Guide for SMEs in Obtaining Business Loan from Lending Institutions", setting out the important points that SMEs should note and the information generally required when applying for loans from banks. The Guide has been uploaded onto the websites of the TID, HKAB and the DTC Association for viewing by SMEs.

The criteria adopted by banks in vetting and approving loan applications involve a wide range of factors. Apart from considering the borrower's repayment ability and the overall risks, the business development strategies and capital costs of the banks are also factors for consideration. We encourage SMEs in need to make enquires with individual lending institutions for an assessment of their loan application.

Regarding a review of the Special Concessionary Measures, Members have proposed an extension of the application period of the Special Concessionary Measures. The Scheme is a regular market-based scheme implemented by the HKMC since 1 January 2011, whereas the Special Concessionary Measures are special time-limited measures initiated by the Government under the Scheme in the light of the uncertain external economic environment, with a total loan

guarantee of \$100 billion provided by the Government. These measures are open for application for nine months up to the end of February 2013.

Since the introduction of the Special Concessionary Measures on 31 May 2012, we have been working with the HKMC in closely reviewing the operation and usage of the measures as well as the overall effectiveness of the measures. Mr Jeffrey LAM proposed that the Government should extend the application period of the Special Concessionary Measures. In this connection, we will continue to closely monitor the changes in the external economic environment and developments in the market, and we will appropriately extend the application period of the measures where necessary.

As regards the use of loans, Mr TANG Ka-piu proposed that the use of guaranteed loans approved under the Scheme should be expanded by, for instance, allowing such loans to be used for taking out various types of insurance and staff training, and so on. At present, the loans approved under the Scheme can be used for providing working capital for the enterprise's business operations or acquisition of equipment or assets in relation to the enterprise's business, and refinancing of facilities guaranteed under the Special Loan Guarantee Scheme of the TID or the Scheme.

Therefore, expenditures on staff training and insurance taken out for supporting or maintaining the enterprise's business operations, such as medical insurance for employees, office insurance or professional liability insurance, will be regarded as providing working capital for the enterprise's business operations and hence in line with the permitted uses of loans granted under the Scheme. However, if the objective of the borrower in taking out an insurance policy is not to maintain the enterprise's business operations, such as the taking out of life and savings insurance, that will not be considered in line with the uses permitted under the Scheme. Given a wide variety of insurance offered in the market and the fact that the nature of individual products cannot be clearly determined, enterprises can make enquiries with the lending institutions having regard to the circumstances in individual cases if necessary.

President, given that the business sector and a number of Members have expressed concern about "related entities", we would like to take this opportunity to explain our handling approach.



Mr Jeffrey LAM proposed to allow enterprises' related entities, after providing proofs to the HKMC, to make independent applications under the Special Concessionary Measures. Other Members who are concerned about the development of the business sector, including Mr Andrew LEUNG, also put forward this proposal. Under the existing Scheme including Special Concessionary Measures, the Master Deed of Guarantee signed between the HKMC and lending institutions provides that if any person or a group of persons holds 30% or more of the business interests of two enterprises, the enterprises are considered associated entities to each other, and they can only obtain guarantee for loans totalling not more than \$12 million under the Scheme.

The Scheme is a market-led scheme operating on prudent commercial principles. Therefore, in formulating the above rule, the HKMC has considered the "concentration risk" and the "cross-default risk" arising from lending to a group of related companies, which must be taken into consideration under the principle of prudent lending. These are the risks arising from concentration of lending to a certain group, and given the close ties and connection among the companies, in the event of default by one company, another company or a number of other companies will hence be exposed to the risk of default.

In spite of this, we understand that in some cases, even though two different companies have the same equity holders, they are two independent entities as they engage in different types of business. We are grateful to Mr Jeffrey LAM and a number of other Members for the proposal made. We will consider this proposal in detail on the principle of striking a balance between putting public money to good use and helping enterprises.

As to the question of whether the Special Loan Guarantee Scheme (SpGS) should be relaunched or not, the Government introduced the SpGS at the end of 2008 in response to the international financial turmoil at the time, with a view to helping enterprises address their financing difficulties brought about by the credit crunch. It is a time-limited scheme, and an extraordinary measure taken at extraordinary times. The maximum loan guarantee ratio is 80% and as no fee is charged under this scheme, most of the credit risks are borne by taxpayers. We must strike a balance between utilizing public funds effectively and assisting enterprises. Therefore, in view of the current uncertain ties in the external economy, consideration has been given to implementing suitable measures to support the SMEs. In the middle of this year, we introduced the time-limited

Special Concessionary Measures under the Scheme of the HKMC, with a view to helping enterprises ride out the difficulties. Although a guarantee fee is payable by enterprises under the Special Concessionary Measures, the fee amount has been substantially lowered by about 70% than the previous rate under the Scheme. We consider that charging a limited guarantee fee will help share the default risks amongst the Government, enterprises and lending institutions, hence striking a balance between helping SMEs and putting public money to good use.

Moreover, the Special Concessionary Measures under the Scheme are less stringent than the SpGS in several aspects. For example, there is no restriction on the use of the loan guarantee for revolving credit facilities under the Special Concessionary Measures, and SMEs are allowed to reuse the guarantee for an unlimited number of times after they have fully paid up the loan, provided that the amount of loans taken out does not exceed \$12 million during the same period of time. We do not see the need for a relaunch of the SpGS.

Furthermore, to assist SMEs in resolving their capital flow problems, as I mentioned in my opening remarks, we have put in place a number of support measures. In addition to the Scheme of the HKMC and the Special Concessionary Measures introduced under the Scheme at the end of May with \$100 billion loan guarantee commitment provided by the Government, the TID also has a regular loan scheme, namely, the SME Loan Guarantee Scheme, under which eligible SMEs can obtain a 50% loan guarantee without having to pay any guarantee fee, and the maximum amount of loan guarantee is \$6 million. An enterprise is allowed to reuse the guarantee once after it has fully paid up the loan backed up by the guarantee under this scheme, subject to a ceiling of \$6 million. This scheme has provided effective support to SMEs since its introduction in 2001. As at 30 November 2012, a total of 28 900 applications were approved under the SME Loan Guarantee Scheme, involving a loan amount of about \$40.3 billion and benefiting over 14 300 enterprises in various trades and industries.

I heard Mr WONG Kwok-hing's concerns about Chinese medicines traders last night. I will reflect his concerns to the relevant department.

President, we will continue to keep a close watch on the economic conditions and market changes in reviewing our measures, in order to provide suitable support for enterprises. We will also give due consideration to the

views put forward by Members on the Special Concessionary Measures under the Scheme.

I so submit. Thank you, President.

**PRESIDENT** (in Cantonese): I now call upon Mr Jeffrey LAM to move his amendment to the motion.

**MR JEFFREY LAM** (in Cantonese): President, I move that Mr CHUNG Kwok-pan's motion be amended.

**Mr Jeffrey LAM moved the following amendment: (Translation)**

"To delete ", with" after "That" and substitute with "it is widely known that"; to delete "and" after "uncertain external economy" and substitute with ","; to delete ", the Hong Kong economy may have downside risks in the future, making the prospects for the" after "Mainland's economic growth" and substitute with "and the tightening of credit have made the financing and"; to delete ", with the application period of nine months" after "guarantee fee" and substitute with "to satisfy their financing needs and enhance enterprises' productivity and competitiveness"; to delete ", but the interest rates levied are on a par with the interest rates of ordinary commercial loans, being as high as 5% to 6%; under the quantitative easing policy of the United States, the Hong Kong Interbank Offered Rate for a period of one year is as low as 0.86%, and banks' property mortgage rates are also as low as some 2%, reflecting that the interest rates under the Scheme are unreasonable, and the Scheme is unable to really help SMEs" after "20% of the risks" and substitute with "; the Scheme enables banks to grant loans at ease and is also conducive to stabilizing the banking system; as at late November this year, 4 672 applications had already been approved under the Scheme, with the guarantee coverage amount reaching \$16.9 billion, thus helping many SMEs to"; to delete "in this connection" after "financing difficulties;" and substitute with "to further support SMEs"; to add "and extend the loan tenor" after "lower the interest rates"; to add "the 'Special Concessionary Measures' under" after "extend the application period of"; to delete "and" after "approval threshold;"; to add "strengthen the communication between banks and

SMEs, and assist enterprises in understanding banks' criteria for loan vetting and approval; and at the same time," after "(3)"; to delete "and" after "future economic development,"; to add "and introduce more measures in a timely manner," after "and its adequacy,"; and to add "; and (4) to allow enterprises' subsidiaries or related entities, after providing proofs to the Hong Kong Mortgage Corporation Limited, to make independent applications and be able to obtain the maximum loan amount" immediately before the full stop."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr Jeffrey LAM to Mr CHUNG Kwok-pan's motion, be passed.

**PRESIDENT** (in Cantonese): I now call upon Mr Dennis KWOK to move the amendment to Mr Jeffrey LAM's amendment.

**MR DENNIS KWOK** (in Cantonese): President, I move that Mr Jeffrey LAM's amendment be amended.

**Mr Dennis KWOK moved the following amendment to Mr Jeffrey LAM's amendment: (Translation)**

"To add "probably resulting from economic downturn" after "tightening of credit"; to delete "satisfy" before "their financing needs" and substitute with "respond to"; to delete "; the Scheme enables" before "banks to grant loans" and substitute with ", which enables"; to delete "as at late November this year, 4 672 applications had already been approved under the Scheme, with the guarantee coverage amount reaching \$16.9 billion, thus helping many" after "banking system;" and substitute with "yet, the persistently high interest rates of loans are unable to really help"; and to delete "and introduce more measures" before "in a timely manner," and substitute with "or accept the proposal long advocated by the industrial and commercial sector to re-launch the Special Loan Guarantee Scheme"."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr Dennis KWOK to Mr Jeffrey LAM's amendment, be passed.

**PRESIDENT** (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

**PRESIDENT** (in Cantonese): Those against please raise their hands.

(No hands raised)

**PRESIDENT** (in Cantonese): I think the question is agreed by a majority respectively of each of the two groups of Members, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections, who are present. I declare the amendment passed.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That Mr Jeffrey LAM's amendment, as amended by Mr Dennis KWOK, to Mr CHUNG Kwok-pan's motion be passed.

**PRESIDENT** (in Cantonese): Will those in favour please raise their hands?

(Members raised their hands)

**PRESIDENT** (in Cantonese): Those against please raise their hands.

(No hands raised)

**PRESIDENT** (in Cantonese): I think the question is agreed by a majority respectively of each of the two groups of Members, that is, those returned by

functional constituencies and those returned by geographical constituencies through direct elections, who are present. I declare the amendment passed.

**PRESIDENT** (in Cantonese): Mr TANG Ka-piu, as the amendments of Mr Jeffrey LAM and Mr Dennis KWOK have been passed, you may now move your revised amendment.

**MR TANG KA-PIU** (in Cantonese): President, I move that Mr CHUNG Kwok-pan's motion as further amended by Mr Jeffrey LAM and Mr Dennis KWOK .....

**PRESIDENT** (in Cantonese): Please refer to p.10 of the Script.

**MR TANG KA-PIU** (in Cantonese): I am reading it.

**PRESIDENT** (in Cantonese): Please read it out.

**MR TANG KA-PIU** (in Cantonese): President, I move that Mr CHUNG Kwok-pan's motion, as amended by Mr Jeffrey LAM and Mr Dennis KWOK, be further amended by my revised amendment. Thank you, President.

**Mr TANG Ka-piu moved the following further amendment to the motion as amended by Mr Jeffrey LAM and Mr Dennis KWOK: (Translation)**

"To add "; and (5) allow the loan under the Scheme to be used for taking out various types of insurance and staff training, etc" immediately before the full stop."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That Mr TANG Ka-piu's amendment to Mr CHUNG Kwok-pan's motion as amended by Mr Jeffrey LAM and Mr Dennis KWOK be passed.

**PRESIDENT** (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

**PRESIDENT** (in Cantonese): Those against please raise their hands.

(No hands raised)

**PRESIDENT** (in Cantonese): I think the question is agreed by a majority respectively of each of the two groups of Members, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections, who are present. I declare the amendment passed.

**PRESIDENT** (in Cantonese): Mr CHUNG Kwok-pan, you may now reply and you have three minutes 33 seconds.

**MR CHUNG KWOK-PAN** (in Cantonese): President, I am very grateful to the 17 colleagues who have spoken on this motion, and I am glad that various political parties have thrown weight behind my motion without disagreement. This shows that most colleagues have recognized the financing difficulties now faced by SMEs — especially as they face the unfair situation of banks levying high interest rates — and agreed on the importance of SMEs to the economic development of Hong Kong.

President, I would like to tell the Secretary that on the Sunday just passed, the Chief Executive attended a consultation forum on the policy address in a Radio Television Hong Kong programme called "眾言堂". At the forum, a lady told the Chief Executive that these schemes were very good to SMEs but she also raised a problem, saying that she had submitted an application under the SME Loan Guarantee Scheme but her application was not approved in the end. This shows that in the view of some SMEs, even though there are good schemes in place, they nevertheless cannot benefit from such schemes. On that occasion, the Chief Executive personally asked this lady to provide further information for

him to follow up her case. I hope that the Secretary will assist the Chief Executive in following up this case.

Summing up this motion, I have five demands to make. I hope that banks can lower the loan interest rates, that the application threshold be lowered, the application period be extended, the repayment tenure be extended, and the banks' lending policies be monitored. Thank you, President, I so submit.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the motion moved by Mr CHUNG Kwok-pan, as amended by Mr Jeffrey LAM, Mr Dennis KWOK and Mr TANG Ka-piu, be passed.

**PRESIDENT** (in Cantonese): Will those in favour please raise their hands?

(Members raised their hands)

**PRESIDENT** (in Cantonese): Those against please raise their hands.

(No hands raised)

**PRESIDENT** (in Cantonese): I think the question is agreed by a majority respectively of each of the two groups of Members, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections, who are present. I declare the motion as amended passed.

**PRESIDENT** (in Cantonese): Fourth Members' motion: Reviving the Quality of Local Education and Stopping the Blind Industrialization of Education.

Members who wish to speak on the motion will please press the "Request to speak" button.

I now call upon Mrs Regina IP to speak and move the motion.



**REVIVING THE QUALITY OF LOCAL EDUCATION AND STOPPING THE BLIND INDUSTRIALIZATION OF EDUCATION**

**MRS REGINA IP** (in Cantonese): I move that the motion under my name as printed on the Agenda be passed.

President, since the subprime mortgage crisis broke out in the United States in 2008, causing global economic crisis, the former Chief Executive Donald TSANG had, in his Policy Address of 2009, hastily proposed to develop six major industries in the hope of salvaging market confidence. Though he was well-intentioned, he had unfortunately made education one of the major industries, and worse still, he used public resources to promote the development of education. As a result, our education sector has the unhealthy trend of profit-making, putting the cart before the horse. I had been a teacher and I am very disappointed and worried about this phenomenon.

The first thing I want to talk about is that I am very disappointed. Fifteen years after the reunification and actually, before the reunification, no Secretary for Education, Chief Secretary for Administration or Chief Executive has ever elaborated on his or her ideals or vision of education on any public occasion. In the website of the Education Bureau, there is only a very simple statement with no more than 20 words under the respective heading of vision and mission. They are only about the work of the Education Bureau. And from a macro perspective, there is a total lack of detailed elaboration on the ideals and mission of education. Consequently, despite the enormous resources of the Education Bureau, the resources are only used to handle day-to-day tasks. Of course, these tasks have to be handled, as so many time-bombs have been planted. The result is that education in Hong Kong has degenerated into a machine with no soul, and our competitiveness is constantly dwindling.

The World Economic Forum had, in its report on global competitiveness published this year, pointed out that although Hong Kong ranked in the top three in terms of transport facilities, telecommunications facilities, market efficiency, labour market and finance market, it failed to make itself in the top 10 in terms of overall competitiveness. This is because we lose out to Japan and Singapore, our major competitors in the region, in terms of education and innovation. This can be attributed to the lack of vision and commitment on the part of our Government in education.

I would like to make use of this opportunity to talk about my vision of education. I have to mention "Long Hair" though he is not in the Chamber now. He likes to mention remarks made by Jean-Jacques ROUSSEAU, a French philosopher in the Enlightenment period. ROUSSEAU says, "We are born weak, we need strength; helpless, we need aid; foolish, we need reason. All that we lack at birth, all that we need when we come to man's estate, is the gift of education." The meaning of his remark is that we have nothing when we are born. We have no wisdom and culture, but with education, we can be enlightened. We can develop from nothing to something and from a savage to a whole person. It can be seen that education is important to a person's enlightenment. Apart from enlightening a person, education can also raise the intellectual level of a society. In the early days of the Chinese Republic, the great educationalist and principal of the Peking University, CAI Yuanpei advocated the development of the five areas of personality, intellectuality, physicality, sociability and aesthetic. He also thought that education should aim at raising the overall quality in students so that they could become talents who could tell right from wrong and had a broad knowledge of things ancient and modern.

My other regret is that in Hong Kong, either in secondary schools or universities, many people often ignore the importance of liberal education, liberal arts or humanities. Although Stanford University is a very famous university in technology, it also attaches great importance to humanities. There is a very important passage in the Stanford Magazine which explains why humanities subjects should be studied. It says, "What humanities education provides that these don't, necessarily,". Why is humanities education so important? If we study philosophy, we know what we value; if we study history, we know what mistakes we have learned; if we study comparative literature, we understand other cultures; if we study languages, we know how to interpret and describe what we encounter from day to day. There is also a remark which I think I should share with Members. That is, "Education is for life, not just for the first five years out of school. And the humanities are great investments for the long term." I am disappointed that our education system, both secondary and university education, pays little attention to humanities subjects.

As for the education industry, actually we always have an education industry. A few decades ago I taught in a private school. I am sure Members know that in Hong Kong there are a number of very successful private schools,

such as New Method College and Wellington College. Many graduates from these schools have become successful. They are private schools, but why are they so successful? It is because they are able to meet the needs of our society. Today, the successful education industries are tutorial schools. These tutorial schools are highly commercialized and their teachers are dressed up like superstars. Nonetheless, they have met market demands. For this kind of industrial undertakings which do not involve any use of public money and which operate purely according to market principles, I do not have any views against them. The buoyancy of this kind of tutorial school reflects that the education services provided by the Education Bureau are inadequate. If parents are happy with the services provided in public schools, they will not spend so much money and send their kids to these tutorial schools. What makes me most unhappy is that the Government uses public money, that is, granting loans amounting to \$2 billion or granting precious land resources, to facilitate the operation of private universities.

Recently, it has been reported in the press that some of our very precious land, such as the Queen's Hill site in Fan Ling, a site for former barracks, would be put up for tender. The area covers 19 hectares which is as large as the Victoria Park. It is reported that the site will be put up for tender for some foreign universities to establish private schools. I do not know how much tuition fees will be charged or if the university concerned will only aim at admitting overseas students, earning Renminbi, and according the lowest priority to local students who cannot afford the high tuition fees. What universities are interested in tendering for the site? One of them is the University of Aberdeen. I am not sure if it ranks 162nd in the QS list in the United Kingdom. Do we really need this university to upgrade the standard of our university education? Another university interested in submitting tender is the Edinburgh Napier University. This university is not very well known and it is not even on the ranking list. Why do we have to give our precious land resources to these universities and allow them to earn Renminbi? At present, we are unable to provide university places to all local students. We have tens of thousands of students taking the DSE examination, while 26 000 students have met the university entrance requirement, there are only 15 000 university places subsidized by the Government, among them, 3 000 places are allocated to Non-JUPAS students. In other words, there are only about 12 000 subsidized university places for local students. Each year, there are about 14 000 students who have passed the DSE examination and met the university entrance

requirement but they cannot get a subsidized university place. As we are unable to meet the high local demand, why should we give our precious land resources to these little-known foreign universities for development of a private university to earn Renminbi?

Why do I have such concerns? The former Chief Executive had implemented another education policy. He also allocated our precious land to an elite foreign secondary school to operate an international school. It is called the Harrow School. The last-term Government leased a site of 400 000 sq ft with superb sea view in Tuen Mun and worth \$600 million at an annual rent of \$1,000 to the Harrow Group. This elite international school charges an annual fee of close to \$160,000, a boarding fee of \$100,000 and a per capita fee of \$50,000. Local parents can hardly afford to pay such high fees, even if we can attract foreign capital, those senior expatriates may not be willing to pay such fees as well.

On the other hand, we know that in Hong Kong, many ethnic minorities have to go to international schools. There are some schools in Hong Kong which teach different foreign languages and many ethnic minority students are enrolled in these schools. One such school is the YMCA of Hong Kong Christian College in Tung Chung which charges a low school fee. However, despite repeated requests, it cannot get any government subsidy, land or resources.

There are many other schools which need land, such as special schools. There is a long waiting list for admission to these special schools, either for local or foreign students. As the Government does not allocate any land to these schools, they cannot provide more services in special education. This also affects the decision of foreign companies to invest in Hong Kong.

Another point is that industrialization of education has led to serious problems. Recently, there are press reports about Lingnan University Community College and Lingnan Institute of Further Education. In a bid to make profits, the institutions went so far as to lower the admission requirements, and in the end, there was an over-enrolment of 1.8 times. These institutions have enrolled 700 students for their higher diploma courses even before the accreditation of qualifications by the Education Bureau. Today, it is reported in the press that owing to the popularity of the community college affiliated to a

well-known local university, the University of Hong Kong, the Director and College Principal said that they would admit as many students as possible. For them, the SPACE is a big profit centre. When no limit is set on the number of student intake, how will the quality of education be affected? I hope the Secretary for Education can respond to this point.

Of course, I understand that one of the factors for consideration by the Government in promoting private universities is that many top universities in overseas countries are private universities. The Government can, by offering land and loans, invite some foreign universities to set up their branch in Hong Kong. In this way, through charging higher school fees, some foreign students, in particular Mainland students, can be admitted. This can offer some sort of subsidy to local students and solve the problem of inadequate subsidized places in tertiary education institutions.

However, as pointed out by Prof Sun KWOK, Dean of Science at the University of Hong Kong, in an article published in the *Hong Kong Economic Times*, for those top-notch overseas universities, like Harvard, Yale, Cornell, and so on, first of all, they have an endowment fund. In the case of Harvard, this endowment fund amounts to as much as US\$30.7 billion for the current year. Second, research and development are all funded by public money, that is, federal funding. If the Secretary or officials from the Bureau pay a visit to any famous university in the United States, they will find that all the doctoral programmes are fully funded, that is, subsidized by government funding. The funds are from various government departments, which include the Ministry of Defense, Ministry of Energy, NASA or various kinds of government funds. If you think that by offering a government loan of \$2 billion or providing sites, you can attract top-notch universities of high ranking to come to Hong Kong for operating schools, you must be dreaming. And for these famous universities, including the University of Hong Kong and The Chinese University of Hong Kong, their present status is attained after years of hard work. In my view, the Government's sale of precious land resources to Harrow School and other little-known universities and its permission to allow them to operate here and earn Renminbi is really putting the cart before the horse. One can even say that it is unconscionable, that is, doing something against the conscience and it is really a disservice done to the students of Hong Kong.

I call upon the Government to review its policy on the industrialization of education. Education can certainly become an industry. If the market works and no government resources are required, we should allow the industrialization of education, as in the case of tutorial schools or nurseries and kindergartens for the rich. But if precious public resources are involved, then the first and foremost principle we should uphold is that local demand must be met first. We should not act in such a short-sighted manner, thinking that by allocating some land and inviting some universities to come and operate, this can meet the demand of our students in furthering their studies at universities. The move of charging Mainland students or foreign students such as those from Pakistan to subsidize our own students is really a waste of our land resources. I therefore implore the Government to re-examine its policy on the industrialization of education and go back to the right track. Education should be regarded as the means to raise a person's all-round quality and education should aim at both quality and quantity. I implore the Secretary to consider these important points.

**Mrs Regina IP moved the following motion: (Translation)**

"That, as the former Chief Executive proposed in 2009 to develop education services, profit-making has consequently become the objective of quite a number of tertiary institutions; for example, the successive uncovering of the over-enrollment and inadequate facilities of the community colleges affiliated to the Lingnan University and to the University of Hong Kong has reflected that in recent years, local post-secondary colleges have, for the sake of chasing profits, concentrated their resources on offering a lot of self-financing degree and associate degree programmes with high tuition fees but recognition of their qualifications in doubt, thus causing local students holding such qualifications upon graduation to face the quandary of having their academic qualifications questioned by employers, and to bear huge amounts of debt due to high tuition fees; besides, since some private universities and the community colleges affiliated to various major institutions have concentrated their limited resources on programmes which aim at attracting mainland students to study in Hong Kong, many local students face the difficult problem of being unable to receive appropriate tertiary education owing to insufficient places despite their fulfillment of the entry requirements; worse still, the Government's sale of precious land resources to international school groups at nominal prices

and its permission for such schools to charge overseas students high tuition fees for profiteering not only cannot help attract foreign investment but also dilute local students' share of educational resources; the aforesaid practices actually cannot help students to devote themselves to society, are not conducive to upgrading the academic standards of local tertiary institutions, and undermine Hong Kong's long-term development; in this connection, this Council urges the Government to adopt the following measures:

- (1) to reiterate to society that education is for upgrading students' quality in the five areas of personality, intellectuality, physicality, sociability and aesthetics, increasing upward mobility opportunities for the middle class and the grassroots, narrowing the rich-poor gap and fostering social progress, and is not a profit-making tool for the highest bidder;
- (2) to draw up a policy for regulating tertiary institutions on programme offers and student admission to ensure that the academic standards of the degree programmes offered are recognized by the Government's Qualifications Framework; and, all things being equal, to accord admission priority to local students who meet the required entry requirements, so as to satisfy local people's keen demand for education as far as possible;
- (3) to ensure that public money is used for upgrading the qualifications of teachers, scientific research capability and campus facilities of local publicly-funded universities, assisting local poor students who meet entry requirements, and financing local outstanding students' participation in exchange programmes at overseas universities, so as to uphold the principle of public resources for public use; and, to further equip Hong Kong people to meet the ever-growing challenges in the international community, promote Hong Kong's global competitiveness and maintain Hong Kong's status as a first-class world city;
- (4) to adopt appropriate policies to encourage universities to concentrate their resources on upgrading their scientific research capability and academic standards, and to assist local universities in

inviting first-class academics from outside Hong Kong to conduct exchanges and even engage in teaching in Hong Kong; and

- (5) by drawing on the experience of advanced countries, to allocate more resources for facilitating research co-operation between the academia and the industries, and to assist universities in obtaining more technological research funding through high technology industrialization to form a value-added 'technological research — industry chain', so as to enable Hong Kong tertiary institutions to add value to themselves and facilitate the upgrading and transformation of Hong Kong industries."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the motion moved by Mrs Regina IP be passed.

**PRESIDENT** (in Cantonese): A total of nine Members shall move their amendments to this motion. We will have a joint debate on the motion and the nine amendments.

I will first call upon Dr Fernando CHEUNG to speak, to be followed by Ms Claudia MO, Ms Starry LEE, Mr Gary FAN, Dr Helena WONG, Mr IP Kin-yuen, Mr MA Fung-kwok, Mr Charles Peter MOK and Mr Paul TSE. But at this stage they cannot move their respective amendments.

**DR FERNANDO CHEUNG** (in Cantonese): President, first of all, I have to declare that I am teaching in The Hong Kong Polytechnic University (the PolyU), and I have been teaching there for over a decade. This motion is very important to me because as I am teaching in a university and I had joined the Council as a representative of the academic and administrative staff, I can see the evils of the industrialization of universities or industrialization of tertiary education. I have seen how universities have buried their conscience, how the senior echelons of universities have lost their ideals for university education and how universities have gone astray when everything has become business-oriented with the objectives of boosting efficiency and making profits. Here, I would like to share



with Members my experience of teaching in university in Hong Kong over the past decade or so.

University is originally meant to nurture the young generations. Apart from developing students' personality, intellectuality, physicality, sociability and aesthetics as mentioned in Mrs Regina IP's original motion, universities, being places for the birth and growth of knowledge, should have the missions to nurture the personality of young people and to nurture a pool of talents for the future of society. All these are the most basic requirements for universities. However, against the backdrop of industrialization of education services and against the backdrop that universities are operated in a way more and more like a business, universities no longer talk about these missions. From what I have seen, what universities are thinking is how to continuously expand their market and how they can strive for their own interests and profits. Simply put, from what I have seen in the PolyU, what the senior echelons of the university are thinking is just how to run this business effectively.

In 2003, the Audit Commission performed an audit on the eight tertiary institutions under the University Grants Committee (UCG), examining the governance, transparency of the university's finance and the overall arrangements of the eight universities. It was found that they could not even meet the basic requirements. In respect of financial transparency, for instance, the information on transactions by related parties, and so on, was far from clear. After the situation was brought to light, the universities were required to follow some new standards in order to better meet the international requirements. However, in the financial reports for the following few years, several colleagues, including LAM Pun-lee, and I found from the annual reports of the PolyU that the university had continuously set up companies in those few years. According to the university, the purpose was to enhance the application of the technology and knowledge developed by university. But what is the case in reality?

In these companies, the posts of directors or executives are concurrently taken up by senior staff of the university. They can receive an additional salary, and even a director's fee is provided in some companies. Of the resource injected by these companies, we cannot tell clearly how much is taken out of public coffers and how much is obtained by the university through other channels, which certainly include tuition fees, donations, and so on. When a surplus is recorded in these companies, the company directors, including those

having a double identity by concurrently holding senior posts in the governance of the university can have a share of the benefits.

Therefore, during a period of five years, the transactions by related parties amounted to as high as \$180 million. Among members of the Council of the university, many are persons from these companies set up by the university. These people have entered into contracts with the university, and the contract amount can worth hundreds of million dollars. Yet, they can do business with their own people where there is obviously a case of conflict of interest. These incidents have been reported in the press, and even the ICAC did investigate into these cases, resulting in prosecution and conviction. President, the situation is downright a filthy mess and worse still, this is not unique to one university, for many universities have this problem too. What is the top priority of universities now? It is how they can make more money.

Take a look at the research postgraduate programmes. Some colleagues mentioned that 60% to 70% of funded postgraduate places are taken up by Mainland students, not local students. Why is it so? I can briefly explain this phenomenon. The main reason why so many students from the Mainland are allowed to study in Hong Kong, resulting in "Mainlandization" rather than internationalization, is to attract people in power in the Mainland to study in Hong Kong. For example, I am an academic staff in the department of social work, and in launching Master research programmes, though they are just ordinary postgraduate programmes, not research postgraduate programmes, the university will raise money by all means to invite some university professors and even heads of faculties from the Mainland to study in our programmes. After they have completed their studies, these people who hold important positions in the Mainland will become our students and in future, when we enter the Mainland market and collaborate with these universities to provide programmes, we will be successful in whatever we do. Universities are precisely making use of public coffers to establish ties with the Mainland, and after building up a good relationship, they can enter the Mainland and open up the Mainland market. This is a very clever business tactic. As a result, the valuable resources of the postgraduate programmes are used by universities to build up relationships.

The basic undergraduate programmes are no longer considered important. What is important now? Many young people cannot go to university because we have obstinately put up resistance for almost 20 years, insisting that university

places must not be increased. This year, over 10 000 students who can meet the requirements for university enrolment are not provided with university places. This does not matter at all. Universities cannot issue banknotes, but they can issue certificates, and issuing certificates is the same as issuing banknotes. This is why universities have continuously launched study programmes. The excessive enrolment of students is the definite outcome, and I would say that they should even over-enrol as many students as possible. What harm can this do? This is just a business. There are so many people who wish to study in university, so they simply open their doors to all and they even have to compete for students, because if they do not do everything they can to take in students, the students will be snatched away by others, and this is all money. This explains why the associate degree programmes have been turned into such a mess.

Programmes provided by other organizations are certainly not that well-received. But when it comes to formal universities, apart from having the power to issue certificates, they also bear the name or title of university. So, SPACE of the University of Hong Kong certainly has the highest student intake and is most capable of making money, but other institutions are also doing a lot in order not to lag behind. Besides, this year is a double-cohort year, and this is why even Lingnan University can reap benefits by launching as many programmes as possible. The situation of their excessive student enrolment is outrageous indeed as they continue to admit students when classrooms are not enough, teachers are not enough and everything is not enough. Why have things developed to such a pitiful state?

President, Hong Kong is a so-called cosmopolitan city in the 21st century. This is indeed a laughing stock. The entire university education is but a business. What ideals or researches are there to speak of? On the one hand, we are moving towards a stupid extreme, following others in counting publications in international periodicals and attaching little importance to local research work. On the other hand, we are allowing universities to put in all their efforts to do business. This is most meaningless and a waste of public coffers.

President, this motion debate today is very meaningful, and I hope that the authorities can thoroughly reflect on the directions of tertiary education. I have engaged in the tertiary education sector for more than a decade and my heart aches deeply. Therefore, I consider that an independent monitoring mechanism must be set up, and the UGC has failed to play this role. Moreover, there is a

lack of basic support for ethnic minority students and students with disabilities in universities, and they are not provided with any assistance in their admission to university. As a result, even if they can go to university, they still have to face great difficulties. The Competitive Allocation mechanism is no more than a trick played by the UGC. Judging from the trend of past developments, the leaders of the UGC and even senior staff of universities have all become businessmen and what is more, exact replicas of businessman. If our universities continue to develop in such a way, they would only be moving towards a dead end.

I so submit.

**MS CLAUDIA MO** (in Cantonese): President, we are discussing the reviving of the quality of education. In Hong Kong, the quality of education definitely includes a policy that emphasizes both Chinese and English. The importance of ensuring high English proficiency in our next generation is indeed evident to all. In this era of globalization, a good English standard is a passport to the world as it enables us to work or live in any places.

However, the English standard of university students in Hong Kong has all along been criticized. Employers always complain that the English standard of local university graduates indeed leaves a lot to be desired and cannot meet the job requirements. In fact, according to reports made by many university graduates after attending job interviews, the interviews are conducted by way of group discussions and there are other candidates who are returned from the United Kingdom, the United States, New Zealand or Australia, and as the discussions are conducted in English, they are too shy to speak. They think that their English standard may not be lower than others, but as other candidates are accustomed to speaking in English and are hence fluent in English, the local graduates have lost all the confidence and are, therefore, in an unfavorable position. In Hong Kong, the use of English in university education is entirely disappointing.

Many outsiders may ask: Hong Kong was under the colonial rule for over a century and children here in Hong Kong start to learn ABC at the age of two or three, so why do university graduates find English such a tall task and speak English so much like speaking a foreign language indeed? Basically, from

primary schools, secondary schools to universities, what we have taught our children and young people are all classroom English or textbook English, which is formal English with a completely standard form. For example, when an American says, "shrink", which is an idiomatic expression for a psychiatrist, our students will not understand it, and this is because they are not used to speaking English. But as we all understand — particularly parents understand this only too well — when we talk to the parents of primary students, we know that their sole wish is to see their children attaining a good English standard. But we all understand that English is not only a means for communication, as it can also broaden our horizons and help us in going about things and getting along with others in future. It enables us to see other sets of values in the outside world, so that we understand better the present-day living and what kind of world this present-day world is, and to eventually see the rude, crude truth that English is indeed a tool for making a living. This is a fact that even the employers are well aware of. When several candidates apply for the same job at the same time, and if their performance are more or less the same and all have top grades in their academic results, but if one of them speaks better English, the job will go to that candidate. This is a matter of competitiveness.

The English standard in Hong Kong has been declining. Over the past decade, many people have put the blame on mother tongue teaching, saying that it is the chief culprit and that a decade of mother tongue teaching is a decade of catastrophe. Regrettably, in 2008, after a decade of mother tongue teaching, the then Chairman of the Standing Committee on Language Education and Research, Mr Michael TIEN, maintained that it was the view of only a handful of people that mother tongue teaching was futile and that most people were supportive of mother tongue teaching. Fortunately, the Government did not listen to this special observation. President, I would like to remind Members that even in this *Blue Book of Hong Kong* that I have with me now, which has sparked a furore and is meant for the eyes of the Central Government, it is pointed out that the continuous decline in the English standard in Hong Kong is very much linked with mother tongue teaching.

President, the Native-speaking English Teacher (NET) Scheme has been implemented in government primary and secondary schools at an annual cost of hundreds of million dollars out of the public coffers. But from my personal experience, we have seen that in primary and secondary schools, the English teachers provided under the NET Scheme are only "gilding the lily" in prestigious

schools with a long history but fail to achieve the effect of "sending in charcoal in snowy weather" in other schools. I have asked a student in primary four whether the foreign teacher can be of any help to students' English standard. He who is one of these modern-day kids replied in this tone: "Oh, we do not talk a lot, and I do not know what he is talking." Instead of spending hundreds of million dollars out of the public coffers on recruiting from overseas these foreign teachers who are genuine native English speakers to help our primary and secondary students meet their future needs for going to university, it is better to use the same amount of public money to train our own English teachers. We have many very good local teachers but they are worn out by our education system as they have to cope with many duties, such as extra-curricular activities. There must be some changes in the entire English education system.

As regards university programmes, the time spent on teaching English is inadequate. Over the past 12 years, I have worked as a part-time lecturer in two universities, teaching subjects relating to politics and news. President, from my personal experience, there has been a downward trend in the English standard of university students in Hong Kong over the past 12 years. Some university students have told me that their teachers in secondary schools actually attached more weight to English but once they go to university, apart from tests or examinations or job interviews, it is almost unnecessary to use English. They find that English does not have much to do with them and their English standard can easily drop during their studies in university. As it is unnecessary to use English, they have forgotten many vocabularies. Certainly, many local universities have provided special English training courses particularly for students in years one and two, but as far as I understand it, the credits of these courses are not counted. As we all know, nobody will take these courses seriously if the credits are not counted.

As for undergraduate programmes in universities, apart from certain disciplines, such as English, English education, law or medicine, most of the other disciplines seldom require credits in English Language subjects. For disciplines in the Faculties of Arts, Social Science, Science, Engineering or Applied Science, only less than one tenth of students' credits are related to language subjects upon their graduation, with Chinese and English each taking up about 50% of these credits. Almost all the credits are earned from the major, while the rest may be earned from taking a few electives. Upon their graduation, students often do not remember the English that they learned in their

first and second years of studies. When they start working, English suddenly becomes very important. Not only do they very much need to use English in work, they even find that it can create a great obstacle to them in their living.

It is indeed necessary for us to provide more assistance to university students during their studies in university. Of course, university students have to cope with a heavy workload academically, and coupled with their extra-curricular activities and other affairs, they tend to spend the very little time left on their major area of study which seems to be more important. But we must understand that even though students have mastered good knowledge and skills in their fields, if the local or foreign companies in which they have applied for a job ask them to write an email in English to explain something or to give a briefing to overseas clients which is generally conducted in English and if they fail to meet the requirements, how unfavourable the situation will be for them. They are obviously educated and knowledgeable, and all that they are asked to do is to explain their expertise and professional skills in another language and if they flinch purely because they are not accustomed to doing it or they are not confident in doing it, we are indeed doing a disservice to our next generation. We must help and nurture them.

In the meantime, the Secretary may say later that universities have actually organized many international exchange activities. In respect of international exchange, some students are often deterred by the financial difficulties of their families. I have personally known a student who had to spend tens of thousand dollars in going to Australia on an exchange programme. This is unaffordable indeed.

Lastly, I have seen that Putonghua has almost become the main language in university campuses now and this makes me feel all the more uncomfortable. There is, of course, nothing wrong with speaking Putonghua, but why, among the over 10 000 non-local students admitted to programmes funded by the University Grants Committee, 90% are students from the Mainland? The quality of education in Hong Kong should be internationalized, rather than purely "Mainlandized". Why can we not really admit more overseas students on the principle of not compromising the admission of local students, rather than being minded only to snatch Renminbi?

I so submit. Thank you, President.

**MS STARRY LEE** (in Cantonese): President, I am grateful to Mrs Regina IP for moving the motion on "Reviving the quality of local education and stopping the blind industrialization of education" today. I believe that enhancing the quality of local education is a goal that all Members are striving for and it is also the objective of all education policies.

In the past 12 years, the number of tertiary education places has increased drastically from some 9 000 in 2000 to over 30 000 per year at present. The surge in the number of places is intended to raise the academic qualifications of young people, so as to enhance Hong Kong's overall competitiveness. However, while the number of school places has surged, the quality of the programmes and even their recognition are called into question, thus affecting the prospects of graduates.

President, over the past few years, this Council has discussed a series of issues relating to tertiary education and has reminded the Government time and again the need to play a good role in gate-keeping. While our advice has still not been taken heed of, it was uncovered that some institutions have the problems of over-enrolment, inadequate education facilities and hostel places, and school campuses are packed with students. The Government should reflect on what it had done.

First, let me talk about the issues relating to associate degree programmes. For many years, this Council has discussed the recognition of associate degree qualifications and the limited prospects for associate degree graduates. The recognition of associate degree qualifications and the prospects of graduates are indeed issues of concern. According to a study, associate degree holders said that their academic qualifications were not recognized and they did not have any edge over matriculation or Secondary Five students. In addition, according to the information on graduates released by the Information Portal for Accredited Post-secondary Programmes in the middle of last year, many graduates from some institutions could neither pursue further studies nor find a full-time job. For example, the under-employment rate of students from the Hong Kong Art School was as high as 25%, and the unemployment rate of students graduated from the Community College at Lingnan University was as high as 18.2%. The problem is well evident.



Members have to note that at present, the unemployment rate is low. When we discuss with friends in the business sector, they often say that there is a severe shortage of manpower in the labour market. Despite this situation, the under-employment rate or unemployment rate of associate degree graduates has still remained high, which reflects that there is evidently a mismatch between the programmes offered by institutions and the demands of society.

In the middle of this year, the community colleges affiliated to the Lingnan University and to the University of Hong Kong were successively found to have the problem of over-enrolment. I believe this is related to the fact that this year is the so-called "double cohort year". Seeing a surge in the number of applications, one of the institutions thus decided to cancel interviews and admit an unlimited number of students, totally disregarding whether campus facilities were adequate. When it found that the number of students enrolled for its higher diploma programmes was unsatisfactory, it simply lowered the enrolment threshold, so as to admit more students. Consequently, the number of students soared and the income of the institution has increased fivefold from some \$7 million to over \$40 million.

In fact, these problems have already been frequently discussed at an earlier time. In September last year, the former Chairman of the University Grants Committee, Laura CHA, had pointed out before leaving office that the accounts of the self-financing programmes offered by the eight universities were messy. She also said that in recent years, many complaints were received from students taking publicly-funded programmes, they claimed that after attending the class for some time, they suddenly found that half the students in their class are from self-financing programmes. As it is not possible for the institution to split up the costs, and faculties need not hand over their revenues to the central authority of the university, various "gold mines" have been created. Public funds have been used to make "huge profits" in disguise. In the eyes of many members of the public, education institutions only care about student intake and profit-making, with little regard for students' rights, the quality of programmes, and even the genuine needs of the market.

In addition, the figures cited just now reflect that the programmes offered really cannot cater for the needs of society or the labour market, as evident from the low employment rate of graduates. Recently, I browsed the Internet in preparing for this debate, and I found that the programmes offered by some

institutions were really multifarious, in the hope of attracting the enrolment of students. Although the relevant programmes were accredited by the authorities concerned, many students reflected to me that even they themselves had no idea of the contents of these programmes and did not quite know what subjects would be taught. I believe that employers have low recognition and limited understanding of these programmes as well.

Some students have also pointed out, for some novel programmes, such as Higher Diploma in Human Services and Higher Diploma in Hospitality Management, they have limited idea of their contents, and their employability may not be enhanced after graduation. Can the programmes accredited by the authorities actually meet the needs of the market? Or have the relevant programmes only gone through a series of bureaucratic procedures and after the qualifications have been accredited, students can then be admitted? I hope the Secretary can explain this a little later.

President, Chinese families have a deep-rooted thinking that university education is a must for their children, and a degree is an "admission ticket" for upward social mobility. Unfortunately, due to the Government's lax monitoring in developing the education industry, allowing education institutions to indiscriminately offering programmes not catering for the manpower needs of society, an education bubble has been formed. When expectation and reality fall apart, disillusionment follows. When the education bubble bursts, students and parents would be disappointed with tertiary education, and public grievance will also intensify.

President, in fact, the chaos in tertiary education today is, to a great extent, related to the polarization of education financing. In order to survive, self-financing institutions will definitely offer low-cost programmes which can attract a high enrolment rate, and business programmes are most popular. Members only have to leaf through newspapers to find that the present situation is really absurd. In particular, before and after the release of examination results, the press advertisements focus on introducing the multifarious programmes offered by self-financing institutions.

Has the Government provided any directions and guidelines with regard to self-financing programmes? When awarding accreditation, did the authorities understand the needs of the labour market and society? All these issues should

be considered by the authorities. Otherwise, when group after group of students graduate and the manpower market cannot offer what they want, this would only result in disappointment and anger.

President, in order to resolve the polarization situation in terms of financing and offer better prospects to tens of thousands of students, I think the Government should adopt the following measures:

- (a) provide adequate subsidized university programmes to local young people;
- (b) examine the provision of subsidies in the form of education vouchers or direct subsidies to sub-degree graduates for enrolling in degree programmes, so as to ameliorate the imbalance in the distribution of resources in tertiary education;
- (c) improve the quality of self-financing programmes and associate degree programmes, as well as enhance the recognition of such programmes by the Hong Kong community and overseas, so as to increase graduates' opportunities for securing employment and pursuing further studies;
- (d) assist Hong Kong sub-degree graduates in pursuing studies in Mainland universities for a better prospects; and
- (e) allocate more land to provide adequate hostel places for local and non-local students so as to enrich their campus life.

Some students taking self-financing programmes told me, compared with students taking publicly-funded programmes, they live in two different worlds. For those students taking publicly-funded programmes, they can use campus facilities, join the activities of the students' union, serve as committee members of various societies and live in hostels. However, for students taking self-financing programmes, their campus lives are basically confined to attending classes and they do not have the right to experience the life of university students. In developing self-financing education, the authorities have not considered this matter in a holistic manner. As a result, there are students of "two worlds" in the campus.

President, I have included the above proposals in my amendment, and I hope Honourable colleagues will support them. In proposing my amendment, I have also slightly amended Mrs Regina IP's original motion. However, all in all, I agree with the various phenomena pointed out by Mrs Regina IP and I also think the Education Bureau should reflect on the problems that have arisen in the development of self-financing programmes and private universities.

President, concerning today's motion, there are a total of nine amendments, including my amendment. It can be seen that Honourable colleagues are concerned about the blind industrialization of education. As regards Dr Fernando CHEUNG's proposal to reform the composition of the University Grants Committee, I believe the time is not ripe, so we have reservation about this for the time being.

On Mr Gary FAN's amendment, my stance is also the same. His proposal of setting up a mechanism for handling complaints about fee charging and arbitration has not been discussed in society. Hence, at this stage, we also have reservation about it.

As regards Mr IP Kin-yuen's proposal of setting up an independent inter-institutional appeal mechanism, the Panel on Education has also discussed this issue on several occasions. However, we believe that the agreement of various stakeholders should be secured first, so I will not support it at the present stage.

President, I so submit.

**MR GARY FAN** (in Cantonese): President, before I speak, I declare my interests first. I am a member of the Council of The Chinese University of Hong Kong (CUHK) and I have also been a part-time tutor in The Open University of Hong Kong for many years.

President, first of all, I wish to point out that the trend of industrialization of education in Hong Kong did not originate from the proposal put forward by the former Chief Executive, Donald TSANG in 2009, as it is claimed in the original motion, but started as early as 2000, when the first Chief Executive, TUNG Chee-hwa, introduced associate degree programmes.

Members should remember that shortly after the reunification, Hong Kong came under the impact of the financial turmoil and the unemployment rate soared. In order to avoid pushing up the unemployment rate by a large number of unemployed secondary school leavers, thus further impacting the confidence of the public and overseas investors in Hong Kong's economic prospect, the TUNG Chee-hwa Government introduced the Project Yi Jin and Youth Pre-employment Training Programme. The various diploma programmes offered by various tertiary institutions were repackaged and re-introduced under the concept of associate degree, so that the manpower that should have entered the labour market were excluded, and a better-looking unemployment figure could then be presented.

Subsequently, in March 2002, the University Grants Committee (UGC) issued a report entitled Higher Education in Hong Kong, that is, the Sutherland Report which is often quoted by the academic sector. In Point 4 of the List of Recommendations, it is stated that, "..... the Government's intention that associate degrees be predominantly funded by the private sector". However, in the development over the past decade or so, not only has the Government not done its best to solve the articulation problem of associate degree programmes and undergraduate programmes, it even allowed more publicly-funded universities to establish community colleges, which actually seek to increase their revenues under the pretext of offering self-financing associate degree programmes.

President, just now, Ms Starry LEE said that she did not agree with my proposal. However, I wish to tell Members that last month, my district office received several similar complaints. According to the complainants, the University of Hong Kong (HKU) School of Professional and Continuing Education required students applying for associate degree programmes to pay \$5,000 "enrolment deposit" and the first instalment of more than \$20,000 of tuition fee even before the Joint University Programmes Admissions System had finally completed all its admission procedures. Non-payment of such fees would be regarded as withdrawal of application. Students who are marginally qualified for admission into university have been put in a quandary. I also believe that quite a number of students have suffered financial losses.

Take the HKU School of Professional and Continuing Education as an example, obviously it has played on students' desire to pursue further studies, this

act is tantamount to looting a burning house or taking advantage of the situation to make money through unscrupulous means. Therefore, in my amendment, I propose to enhance the monitoring of fee charging by these institutions and set up a mechanism for handling complaints about fee charging and arbitration, so as to protect students' rights and interests. In this way, higher education in Hong Kong would not further degenerate into a profit-oriented business.

President, the resources allocated by the UGC to various publicly-funded universities cannot actually meet the needs of various universities, in particular, after the implementation of the new "334" academic system, the UGC has not proportionally increased the funds allocated to various universities. As a result, various publicly-funded universities have gone astray and offered many non-subsidized taught postgraduate programmes in order to increase their income, and the quality of these taught postgraduate programmes vary greatly. President, we do not wish to see that taught postgraduate programmes have become blatant commercial transactions.

In addition, the issue of industrialization of education is also related to a recommendation found in the Sutherland Report published by the UGC in 2002, that is, various universities should be "..... capable of competing at the highest international levels", and a recommendation made in the report on Aspirations for the Higher Education System in Hong Kong published in 2010, in which it is stated that "..... UGC-funded institutions should review, develop where necessary and implement internationalization strategies as a matter of urgency". The report affirmed government efforts in pushing forward the internationalization of universities, leading to universities inputting huge resources to compete for international ranking over the past decade or so, thus resulting in vicious competition.

President, in the pursuit of the internationalization policy, in order to enhance competitiveness, universities have recruited many Mainland academics and accepted many post-graduates, thus seriously affecting the prospects of local PhD candidates. After local students have obtained their doctorate degrees, it is practically impossible for them, or very difficult for them to find teaching posts with promotion prospect. As many professors are engaged in research work, the teaching duties have been taken up by local PhD graduates. However, they are only employed as tutors or lecturers under less favourable employment conditions and remuneration package. We have even noticed that in some universities,

tutors are employed under the contracts for executives, such that they can never be promoted to the rank of professors.

President, according to a paper submitted by The Chinese University of Hong Kong Employees General Union to the Panel on Education in 2010, this category of tutors who are recognized by the CUHK as teaching staff accounted for over 30% of all teaching staff, but they are "second-class" citizens. If we do not change this situation, how can local university students be attracted to undertake research work after graduation?

President, in pursuing internationalization, universities compete to set up branch campuses in the Mainland. Seemingly, the management staff of universities have forgotten that they are running universities by public funds. They definitely should not reverse their priorities. As a host of problems in Hong Kong have not yet been solved, how can they deploy large amounts of resources to setting up universities in the Mainland?

President, over 90% of local non-subsidized associate degree programmes are actually attended by local students, but this is not the root cause for the inadequate number of places in higher education in Hong Kong. The problem lies in the relaxation of the ceiling on the number of Mainland students taking subsidized degree programmes after 2008. Why does the policy formulated by the SAR Government not accord priority to local students? The Neo Democrats demands that the Government should at least restore the ceiling to the pre-2008 level, and I have specifically made such request in my amendment.

President, as regards the amendments of other Honourable colleagues, basically, I think some of them are not controversial. The Neo Democrats supports Dr Fernando CHEUNG's proposal to reform the UGC and even believes that the UGC's politically neutral position should be established. The UGC should by no means become the political tool to implement government policy, it should not allow the Government to interfere the autonomy and academic freedom of education institutions. Earlier, when we put forward our proposals to the Chief Executive with regard to the policy address, we had also submitted some papers to the Chief Executive for consideration. We hope that the colonial practice of controlling education by assigning the Chief Executive to be the Chancellor of various universities should be abolished.

As regards the issue of mutual recognition between Hong Kong sub-degree qualifications and Mainland tertiary diploma qualifications, basically I support this proposal. However, we must note there are public and private tertiary institutions in the Mainland, and if this proposal is implemented, efforts must be made to ensure that the relevant diplomas have been accredited by the relevant recognized body. Mutual recognition should not be extended to all institutions.

President, I so submit.

(Ms Starry LEE stood up)

**PRESIDENT** (in Cantonese): Ms Starry LEE, what is your point?

**MS STARRY LEE** (in Cantonese): I only want to make a belated declaration. I am a member of the Council of The Hong Kong University of Science and Technology.

**DR HELENA WONG** (in Cantonese): President, first of all, I would also like to make declaration because I have been engaging in tertiary education in The Hong Kong Polytechnic University for more than 12 years.

I fully concur with their views given by Members on the reform of higher education. On the issue of higher education, Mrs Regina IP has raised a number of points today which warrant our in-depth discussion. I have also proposed some amendments.

One of the main points is, who will "foot the bill" for the education expenses. According to the data revealed by the Organization for Economic Co-operation and Development (OECD) in 2010, developed countries and regions such as the United States, Canada, the European Union, the five Nordic countries, South Korea and Japan, spent an average of 4.6% of their gross domestic product (GDP) on education. Hong Kong only spent 3.6% of its GDP, which was much lower than the international level adopted by developed countries. Even worse, only less than 20% of students of the relevant age cohort



could receive Government-funded university education as compared with an average international level of 30% among OECD member countries.

Today, we often claim that Hong Kong is an international metropolis, with a wishful thinking that Hong Kong can take the lead in all aspects. With substantial reserves in hand, why is the Government unwilling to spend money on education? Why does the Government want to turn education into a business and let those who provide education services foot the bill? Why should students and their parents be asked to pay for education by their own means, such as borrowing money? Does Hong Kong have the capacity to do better? The answer is in the affirmative. Although the authorities have to meet the expenses in other areas such as medical care, housing and education, it is very worthy to spend money on education. The Government should not be penny-pinching regarding education expenses.

The serious problems now faced by the higher education sector, such as the quality issue as well as the blind industrialization of education which we have raised grave concerns, are attributed to the former Chief Executive's idea of achieving the "85 000" education target, hoping that more students could receive university education. This kind of thinking was certainly correct, just that the Government later wanted to cut education expenses as a subsidy of \$260,000 is needed for each university student. I have no idea whether this figure is correct or not. The Secretary can correct me if it is not. With this idea in mind, the Government thought of offering lower-cost programmes to cultivate talents, and at the same time, allowing students to attain post-secondary qualifications, similar to the university level. As a result, education has turned into a business with more and more certificate and degree courses available in the market.

Today, higher education faces two big problems. Firstly, there is a serious lack of subsidized degree places. Every year, more than 25 000 students have fulfilled the university entry requirements through public examinations. However, there are only about 15 000 subsidized degree places. The remaining 10 000 students cannot pursue university education despite their fulfillment of the entry requirements. They have no choice but to attend self-financing tertiary programmes or study in private universities in the future.

Secondly, various institutions have continuously offered different self-financing programmes. The multifarious self-financing programmes have

resulted in blind industrialization of the education sector. Though the relevant programmes have gone through accreditation, how do the authorities monitor their quality? The authorities have not mentioned one single word about it. The Democratic Party opines that the Government should not be so mean in providing for education funds, instead it should consider increasing the 15 000 subsidized degree places, so that all students who fulfil the entry requirements can go to university.

Besides, we urge the authorities to enhance regulation because currently different standards and mechanisms are adopted in supervising self-financing post-secondary institutions. At present, the eight tertiary institutions are funded by the University Grants Committee (UGC). Each of them has its own Court or Council and senior managerial staff. As the Government has allocated substantial fund to these eight institutions, the public will rest assured of their quality.

What worried us most is that there are multifarious self-financing post-secondary programmes, apart from programmes offered by the eight UGC-funded institutions, as a result of the industrialization of education. Many of those programmes are currently regulated by the Post Secondary Colleges Ordinance (Cap. 320). According to the Ordinance, the college authority must set up a Board of Governors with a College Council and managerial staff under the Board. But who will be the Board members? Are there any Government-appointed members? No, there is not. The authorities have neither stipulated the composition of the Board nor clearly defined its power and responsibility. As a result, the quality of supervision varies. Will the college authority allow "persons with affiliation" to become Board members? Will the Board convene meeting on a regular basis? Do Board members have any knowledge about education? We basically do not know.

Parents are even more worried because they may have to pay \$40,000, \$50,000, \$60,000, \$70,000 or even \$80,000 as tuition fees for the programmes attended by their children. What can their children learn from those programmes? What about the quality of teachers? Can they find a job after graduation? Are their academic qualifications recognized by the commercial and industrial sectors or by the relevant sectors? Even though the qualification may be recognized, is the standard up to the required level? Some may concern

about the English standard of graduates while some may worry about their humanistic quality. We are very worried indeed.

Some consider that the present monitoring mechanism is adequate, that is, the Hong Kong Council for Accreditation of Academic and Vocational Qualifications (HKCAAVQ) is responsible for monitoring and accreditation. People in the education institutions told me that monitoring has been strictly carried out and the HKCAAVQ would send scholars for inspection. Of course, when new programmes were firstly introduced, supervision might be quite stringent. However, five years after the initial accreditation, the situation might not be monitored at all. The authorities neither check the account nor deploy someone to monitor the situation.

We find that the authorities have not established a consistent or effective mechanism for self-financing tertiary programmes. We know nothing about the student admission criteria, number of intakes, financial situation as well as recruitment and retirement system of academic staff. We also worry that the HKCAAVQ would only exercise monitoring at the initial stage when the self-financing tertiary programmes are first introduced, but would not do so later, giving rise to the problem of lack of continuity in monitoring.

Furthermore, the most critical problem is the resources of HKCAAVQ. According to HKCAAVQ's 2010-2011 Annual Report, its total revenue was more than \$61 million. Do you know the amount of Government funding? It was only about some \$5.6 million. What was the main source of revenue of the HKCAAVQ? It turns out that more than \$46 million revenue are from accrediting self-financing programmes and providing consultation services.

Let us imagine, if most of the revenue of the HKCAAVQ come from accrediting programmes, will it be strongly motivated to do a good job in gatekeeping? Even the Ministry of Education in the Mainland is now considering to require that all programme accreditation departments should be government funded so that the relevant departments will not be ..... Who should be the service target and who should be the monitoring target? Is there any conflict of interest involved?

President, I strongly propose that the Government should re-examine ways to establish an effective and responsible regulatory mechanism for self-financing

programmes at university and higher education level. The Government has also provided public funds for self-financing programmes, including over more than \$1 billion interest-free loans and matching grants. Therefore, in terms of the use of public funds (*The buzzer sounded*) ..... and in terms of the interests of the consumers and the public .....

**PRESIDENT** (in Cantonese): Dr WONG, your speaking time is up.

**DR HELENA WONG** (in Cantonese): ..... I hope regulation can be strengthened. Thank you, President.

**MR IP KIN-YUEN** (in Cantonese): President, regarding Mrs Regina IP's motion, I have to make declaration as I am a member of the Court of the University of Hong Kong and I also engage in teaching at the University of Hong Kong and The Hong Kong Institute of Education.

Mrs Regina IP's motion is very interesting. While she does not support industrialization of education blindly and comprehensive, she is not totally against industrialization. In my opinion, this is a rather interesting point of view and also a very important one. To put it simply, education should not be regarded as an industry. The Education Bureau is a department responsible for education, but not for handling economic issues or industries. There is a more important mission for education, which cannot be described and explained by the term "industry". This is most crucial. If too much importance is attached to industrialization, the objective of industrialization may overshadow the goal of education *per se*.

In my opinion, in discussing this motion, we have a good opportunity to reiterate some of our fundamental views on education policy. Now, I would like to put forward three basic principles. Firstly, education is the fundamental and industrialization is the incidental. The pursuit of short-term financial profits can be the objective pursued by one segment of education. But the main part of our education policy and system as a whole should be the pursuit of broader social rewards and personal development, which is the most important. Short-term financial profits cannot be pursued at the expense of the quality of education.

The second basic principle is that free public education should be provided in the basic education stage, that is the primary and secondary school stage that we usually refer to. In this stage, we should not arbitrarily advocate industrialization of education. This is basically the situation in the international community. Why do I raise this point? Why should education be provided free at the basic education stage? One of the very important reasons is that in the 19th century, Horace MANN, who was the father of public education in the United States, once commented that "public education is a great equalizer", which has become a very important saying.

Hong Kong has been very successful in this aspect in the past. From 1960s, 1970s to 1990s, the people of Hong Kong have benefited from public education, thereby promoting the mobility of talents of various social strata. However, there is a significant change in the past decade when class division due to education is increasingly evident. I believe we should conduct another in-depth discussion on this issue on another occasion. The ideology behind is related to the industrialization of education. Regarding the issue of subsidy for kindergarten to be discussed soon, I wish to reiterate this important principle. After kindergarten has been brought into the scope of basic education, we hope that kindergarten education would be provided free of charge in a fair and equitable manner.

The third basic principle relates to the stage of higher education, of which we tend to give more consideration to internationalization and opening up of the entire system. I believe this is also important as we do not want to see that our tertiary education system being a closed system. However, in opening up the system, we should give due consideration to the actual circumstances in Hong Kong. We have to consider how to ensure that our young people can receive good tertiary education and postgraduate education, as well as how to cultivate more outstanding young academics. Regarding this host of issues, we have to deal with them properly. It is necessary to strike a proper balance between ensuring the quality of local education and the internationalization of tertiary education. We cannot simply envy the education system of other countries such as Canada or Australia due to their outstanding performance in the internationalization and the so-called industrialization of their education system. In Canada and Australia, we will not see any young people complaining that they have not been taken care of. But in Hong Kong, we actually do not have any surplus resources. Hence, we have to strike a proper balance between the two.

However, I would also like to clarify that private education does not mean industrialization of education. There are a lot of private education institutions which aim at providing public education rather than profit making. Thus, we should not confound private education with industrialization of education.

I would like to mention some crucial issues in Hong Kong. The first one is the serious bottleneck in bachelor's degree programmes, meaning that the opportunity for local students to enter university has not improved. During the five years from 2005 to 2010, the number of undergraduates enrolled in publicly-funded institutions has increased slightly from 15 000 to around 16 000. But the increase of 1 000 undergraduates are mainly non-local students. We do not mind the increase in the number of non-local students enrolled in local universities as this reflects the function of internationalization. However, if the increase in the number of students does not include local students, it means that the opportunity for our young people to enter university has not improved despite increase in resources.

As we can see, such a phenomenon is not particularly conducive to cost recovery of our higher education because the tuition income from non-local students cannot offset the unit cost, which is around \$200,000 per student. But the tuition income is only \$80,000 to \$100,000. Under such circumstances, Hong Kong students are not benefited at all. On the contrary, the opportunity for local students to receive higher education has been reduced, resulting in a lower proportion of graduates in our population as a whole. We lag further behind when compared with our neighbouring regions. On this issue, there is no justification for us not to increase places for local students. I hope that the authorities will address this issue expeditiously.

The second issue is the number of postgraduate places. Our full-time postgraduate programmes are divided into two categories. One of them is research programmes with the objective of enabling more young people to engage in further academic pursuit. The admission criteria are based on the students' academic performance and capability in conducting research. For these programmes, there is recently a very conspicuous trend. As Dr Helena WONG has mentioned in previous debates, the proportion of local postgraduates is quite low, only about 30%. While other students mainly come from the Mainland, a small number of them come from other places. Furthermore, there is a

continuous downward trend on the proportion of local students in recent years. In other words, the proportion of local students enrolled in research postgraduate programmes has steadily declined. In 2009, the percentage is only 35%, which is already very low, meaning that there are approximately three local students in every 10 postgraduates. This percentage dropped to 32% and 27% in 2010 and 2011 respectively, representing a decrease of 23% in only two years. Should the Government and universities of Hong Kong pay attention to this trend? Given that all the funding comes from taxpayers' money, why so few local young people can be benefited? Are they reluctant to enrol in these programmes? Do their standards fail to meet the requirements? Are the admission criteria unreasonable, or what? In any case, we should pay heed to this problem.

Another problem is related to academic personnel. Through the Admission of Talents Scheme, a large number of academic personnel have been attracted to Hong Kong from the Mainland. However, will local young scholars be deprived of the opportunity as a result?

The fourth issue is related to associate degree, which has been mentioned by many Members. Therefore, I would like to summarize a few points. First, government funding for associate degree programmes is insufficient; second, these programmes are operated by the market; third, all costs are paid by the students, including the costs for hardware and other equipment; fourth, lack of regulation. Regarding my proposals on associate degree programmes, first, the intakes for undergraduate programmes should be expanded; second, the Government should bear a greater responsibility in terms of funding and setting up a monitoring mechanism to monitor its quality.

Finally, I would like to ask a question about the site at the former Queen Hill's Camp, hoping that I can get a definite reply (*The buzzer sounded*) .....

**PRESIDENT** (in Cantonese): Mr IP, your speaking time is up.

**MR IP KIN-YUEN** (in Cantonese): ..... because it is about our international commitments and the positioning of private universities.

**MR MA FUNG-KWOK** (in Cantonese): President, I would like to declare my interest first. I am a member of the Council of the Hong Kong Baptist University (HKBU) and a member of the Advisory Board of Continuing and Professional Studies of the School of Continuing and Professional Studies of The Chinese University of Hong Kong (CUHK).

President, judging by overseas standards, the performance of Hong Kong's tertiary education is outstanding, though this is not necessarily shared by Hong Kong people. According to Quacquarelli Symonds World University Rankings, the University of Hong Kong took the top spot in Asia again with its 23th ranking. Furthermore, The Hong Kong University of Science and Technology and CUHK were among the top 40 universities, and the City University of Hong Kong, The Hong Kong Polytechnic University and the HKBU were among the top 300, too. For a city with a population of only 7 million, it should take pride in the achievements made by our universities, thanks to their dedicated efforts over a long period of time.

President, the United States, the United Kingdom, Australia and Singapore have been proactively developing education as an industry with advantages for export in order to recruit students from all over the world. From the economic perspective, education services can bring enormous economic benefits to a region. In Australia, a pioneer in education services, education accounts for 26% of its overall export services. Under globalization, the capacity to attract talent is seen as a major indicator of the competitive edge of a city, whereas quality tertiary education is the key to win the fight for talent. It also helps develop the concept of "soft power" introduced by Prof Joseph NYE for upgrading the leading position of a city. Hence, Hong Kong's excellent education services help boost its competitive edge as a city and enhance its "soft power". In this connection, my friends in the New Century Forum (NCF) and I introduced the concept of industrialization of education a decade ago after drawing reference from other regions, in the hope of solving the problem of the overly monotonous mode of our economy, promoting diversification of Hong Kong industries and enhancing the resistance of the economy against adversities.

However, it is a great pity that the SAR Government held on to its positive non-intervention policy and had great reservations about assisting any industries. Eventually, it was only due to the call by different groups in society that a study was conducted in 2006 and education services were proposed to be included as



one of the six emerging industries with competitive edge in 2009. Subsequently, the so-called industrialization of education came into being through the provision of low-interest loans and allocation of land to tertiary institutions as well as relaxation of restrictions on admission of overseas students. However, little had been done to respond to the call in society for providing additional resources to improve local tertiary education, increasing the numbers of subsidized top-up places for associate degree holders and perfecting the supervision of tertiary institutions. Moreover, there is no policy of building the Hong Kong brand through the admission of overseas students. Hence, the so-called industrialization policy is just an extension of the positive non-intervention policy.

President, allowing the market to make self-adjustment freely without injection of resources and implementing a "half-baked" industrialization policy have brought marketization, commercialization and utilitarianism rather than quality education. Driven by the monotonous market force, and in view of inadequate subsidized places, the "gap" in top-up degree places for associate degree holders, and the enormous business opportunities arising from the influx of Mainland students into Hong Kong for tertiary education, various institutions have thus focused on running courses yielding a high return with just a minimal cost. This has resulted in problems such as indiscriminate enrolment, over-enrolment, unitary development of academic subjects, poor curriculum quality, serious shortage of ancillary measures, the offering of iPhone as gifts to attract students, and Mainland students taking up most of the quotas for overseas students. All these reflect that tertiary education is now subject to serious commercialization. It is even more puzzling that under the new industrialization policy, the Government has not strived to attract some high quality overseas sponsoring bodies to set up schools in Hong Kong. Instead, it had granted the valuable land resources to overseas sponsoring bodies which only aim at enrolling tycoons' children for profiteering, thus resulting in mismatch in resources. These measures have completely distorted the NCF's original concept of advocating industrialization of education to export Hong Kong's quality education services for the sake of developing Hong Kong's "soft power".

President, I believe that only through the provision of a sound policy and ancillary measures, such as providing a good local tertiary education in the first place, increasing the number of subsidized places, perfecting the existing regulatory system, building adequate student hostels, formulating a sound

population policy and ancillary immigration measures, relaxing restrictions on overseas students in taking up internship in Hong Kong, and establishing a clear admission strategy and proactively promoting it in other parts of the world can the Government give play to the effectiveness of industrialization of education, pool talents for Hong Kong, and turn Hong Kong's education services into an international brand, so that institutions, students and society as a whole can be benefited.

Hence, my amendment is proposed on the basis of supporting Mrs Regina IP's motion in the hope of setting a clear objective in education, ensuring the quality of education services and satisfying the needs of local students. First of all, the Government should expeditiously review the existing policy on industrialization of education, and further promote it only on the premise of perfecting the various ancillary measures and meeting the needs of local students for the healthy development of education. I very much agree with the original motion that all education services should aim at upgrading students' quality in the five areas of personality, intellectuality, physicality, sociability and aesthetics for the purpose of nurturing students' character while passing on knowledge. Any deviation from these objectives will leave education without a soul but an empty shell emphasizing profits only. Furthermore, it is my hope that education can serve the purpose of upgrading Hong Kong's cultural quality rather than becoming a tool for reaping profits.

The third proposal in my amendment seeks to emphasize the function of education in promoting social mobility and reducing cross-generational poverty, avoid the over-commercialization of tertiary education, and perfect the existing measures to assist students with financial difficulties in admitting to tertiary institutions. As I emphasized in the motion debate held on 28 November on young people, the system of offering loans to tertiary students should aim to relieve rather than aggravate their financial burden. Hence, the interests of student loans should be minimized.

The fourth proposal in my amendment requests the Government to review the existing system and strengthen the regulation of various tertiary institutions in respect of their self-financing programmes, ancillary facilities and student admission, and avoid a lopsided admission policy towards overseas students, enhance the transparency of governance of the relevant institutions and disclose their accounts for public monitoring.

In fact, the standards of the existing self-financing programmes vary greatly. Hence, an effective monitoring mechanism should be put in place to eliminate substandard programmes. In fact, owing to the varying conditions, the standard of self-financing programmes can hardly match that of the subsidized programmes offered by the University Grants Committee (UGC). Hence, the existing self-financing programmes can only concentrate on offering low-cost subjects requiring no exorbitant equipment. The existing problem of monitoring has also been pointed out in a report published by the UGC in 2010. Hence, the Government should expeditiously take on board the report's recommendation on the standardization of regulation of tertiary institutions.

As regards the point of avoiding a lopsided admission policy towards overseas students, I do not mean to reject overseas students. In fact, internationalization brings enormous benefits to local students. We should not merely focus on the resources taken up by overseas students while neglecting their positive effects on exchanges with local students. The point is that the current percentage of overseas students from other parts of the world is relatively low. In some self-financing top quality postgraduate programmes, we can even find 100% of overseas students coming from the Mainland. Hence, we should avoid the recurrence of such a lopsided admission of overseas students, mainly Mainland students, due to commercial considerations.

The last point proposed in my amendment calls for increasing the number of subsidized tertiary education places and formulating a clear and reasonable percentage for overseas students, so as to maintain the educational opportunities for local students meeting the admission requirements amid the internationalization of education. President, over the past decade or so, the number of subsidized places, which takes up only 18% of the relevant age cohort, has not been increased, making it difficult for a number of students meeting the admission requirements to get subsidized places. If the demand of local students cannot be satisfied over a long period of time, the export of education services will inevitably cause dissatisfaction to local students and parents. As for the internationalization of education, I agree that it helps expand the international outlook of students and reinforce Hong Kong's status as an international city. However, according to the figures provided by the UGC, the percentage of overseas students in postgraduate programmes has risen from 59% of the total number of students in 2008-2009 to 73% in 2011-2012, with 90% of the overseas students coming from the Mainland. Such a percentage is indeed too extreme.

We must strike a balance between internationalization of education and nurturing local students, and this is why I call for formulating a reasonable percentage for overseas students.

Regarding the proposal put forward by Dr Fernando CHEUNG to overhaul the UGC, I have found that, in conducting my research, there has not been much discussion on this issue in the community. In fact, this proposal should be fully discussed in the community and a consensus be reached before it can be put into implementation. The proposal put forward by Mr Gary FAN to impose a 10% ceiling on the number of non-local students is too stringent, for it is inconsistent with the spirit of the opening up and internationalization of education.

President, in view of the commercialization of education, the objective and ideal of nurturing talents for the purpose of education has gradually been marginalized. As a result, programmes yielding a high return with just a minimal cost are maximized, arts, culture and humanities subjects are minimized, the relationship between institutions and students has become utilitarian and, what is more, there is very serious polarization between local students and Mainland students. Hence, I hope Members can support my proposed amendment to the original motion to ensure the quality of education in Hong Kong and avoid the blind industrialization of education.

Thank you, President.

**MR CHARLES PETER MOK** (in Cantonese): President, the most remarkable speech by Steve JOBS during his lifetime was delivered at the graduation ceremony of the Stanford University in 2005. After he dropped out of college — the university he attended was the Reed College, a liberal arts college as frequently mentioned by Mrs Regina IP — he attended classes according to his own interests, and this diversified learning enabled him to change the world later.

In the case of Hong Kong, the Government's funding and the decisions of universities are led by the market. Young men are eager for instant success and quick profits, and they have put their interests and ideals aside. The information engineering programme of The Chinese University of Hong Kong (CUHK) is a case in point. In light of an emerging dot-com tide, the CUHK offered this undergraduate programme in 2001. When the dot-com bubble burst soon

afterwards, the programme was cancelled in 2003 before the first batch of students graduated. Today, the industry generally found that there is insufficient talent in this field and the local economy has suffered considerably.

President, the problem of inadequate higher education places in Hong Kong has remained unsolved. As stated in the Annual Report 2012-2013 of the World Economic Forum, the tertiary enrolment rate in Hong Kong is lower than that in other advanced countries; and it is only 59.7% as compared with 72% in Singapore and 93.7% in Finland. In the first Hong Kong Diploma of Secondary Education Examination held not long ago, up to 14 000 students who met the entry requirements for universities were not awarded subsidized places in the eight major universities; that is why I support Mrs Regina IP's original motion. In her speech just now, she expressed her views on the Government's use of precious land resources for the establishment of private schools. I wish to supplement what she has said. I very much agree with her that the Government should not supply land to private international school sponsoring bodies which intend to admit Mainland students and make generous RMB profits. This policy is not right. We must be able to recognize the mistakes made in the past, and we should not refrain from supporting the idea that it is necessary to develop well-established and high quality non-profit-making private universities in Hong Kong. Scholarship and student loan schemes should be provided, so that secondary school leavers who fail to obtain subsidized places will be given another option. This can also facilitate the development of a knowledge-based economy. If the proposal in the 2011-2012 Policy Address for the establishment of a private university is hastily abolished, and use of the relevant site is changed to the construction of public housing, how can we meet the demands of students and parents? The direction of my amendment to Mrs Regina IP's original motion is actually consistent with that of the original motion. I just wish to add the following: first, on the premise of protecting the autonomy and academic freedom of tertiary institutions, the Government should encourage tertiary institutions to apply to the Hong Kong Council for Accreditation of Academic and Vocational Qualifications for accreditation of the degree programmes they offer, so as to obtain recognition.

The example of Steve JOBS made us believe that we should support diversification and freedom of education, and nurture the interests of students. Universities in overseas countries received funding from many different organizations but most of the resources (up to 50%) of local subsidized

universities come from the Government. The recent transfer of some research funding by the Central Policy Unit reflects that the Government can arbitrarily manipulate certain types of funding, and it can even select research projects or programmes suited to its taste through the so-called auditing. Thus, education in Hong Kong tends to become planned academic activities, indirectly interfering with academic freedom. As local tertiary institutions have the autonomy to decide on the provision and recognition of programmes, even though I agree to part (2) of the original motion, I wish to add that the overriding premise is to protect the autonomy of tertiary institution and academic freedom.

Second, I call for the expeditious implementation of the recommendation put forward in the previous Policy Address on putting up the Queen's Hill site for qualified sponsoring bodies to apply for establishment of a non-profit-making private university. The former Chief Executive, Mr Donald TSANG, proposed in 2009 that six sites should be earmarked for private universities. Three sites were granted in the past two years to The Open University of Hong Kong, the Hang Seng Management College and the Caritas Institute of Higher Education. There are still two vacant sites, including the site at Queen's Hill in Fan Ling, which is the only site large enough for the establishment of a comprehensive and quality university; while the other site can only be used for the expansion of an existing tertiary institution by building one to two more blocks. The last-term Government had specified that the site at the Queen's Hill should be used for the development of a private university and letters of intent had already been invited. Officials from the Education Bureau had also held road shows in foreign countries. Nine letters of intent have been received so far. I agree with Mrs Regina IP that universities not of the highest standards should not waste our precious land resources. Yet, we should not change the original land use if there are quality sponsoring bodies. Among the applicants, I know that there is a non-profit-making university providing liberal arts education, which is highly praised by Mrs Regina IP. Private universities do not necessarily seek to gain profits, the Stanford University is a very good example. The development of private universities in Hong Kong has lagged behind that of our competitors in this region. There are seven private universities in Singapore, five of which are established within the past decade. Next year, the Yale University and the National University of Singapore will jointly offer private university programmes. The Carnegie Mellon University, the famous research university in the United States, will establish a private university in Guangzhou next year, in collaboration with the Sun Yat-sen University. Nonetheless, we have suddenly

learnt these days that the Government is eagerly identifying land for the construction of public housing, and it intends to use this site for a private university for another purpose. Is the Government going to put aside all other urgent needs of our society, only for the sake of housing construction? The allocation of the site at Queen's Hill for the construction of a private university is a commitment in the Policy Address, and the Government cannot casually change the policy direction just because it is seeking land for housing construction. We cannot indiscriminately use medicines to cure an illness, as we do not only have the housing problem in Hong Kong. It is important for people to live in peace and contentment, but education is associated with the future and development of our next generation, as well as the long-term development of Hong Kong.

At present, the education policy is confusing and lack of diversity, and there is a shortage of higher education places. Encouraging the establishment of non-profit-making private universities and institutions can provide more diverse programme choices, and this brooks no delay. It will be a blot on governance if the Government casually changes its policy commitment. The Government's announcement about the relocation of the sports city not long ago well illustrated the chaotic policy. Fortunately, the Government eventually withdrew. The Government should not deceive the education sector again; or else, private universities having smaller voices and influence would have to enter into a secret liaison. Procedural justice in relation to the implementation of this policy cannot be lightly sacrificed. As the Government has lobbied a number of foreign sponsoring bodies to operate in Hong Kong, if it now announces that the site has to be used for the construction of public housing and repudiates its earlier commitment, we will have no more international credibility.

Third, my amendment seeks to increase the Government's technological research expenditure on applied research, and improve the existing university research funding allocation mechanism of the Research Grants Council (RGC), which is not conducive to promoting innovation and applied technological research. The research grants of the RGC account for nearly one fourth of the block grants for local universities. The RGC estimates that, in the coming nine years, it will recover half of the research grants for reallocation, and the local universities have to compete in terms of research projects so that planned researches will appear in Hong Kong again, indirectly controlling and interfering with academic freedom. To cater to the preferences of international experts in assessing for the research grants, the universities can only reduce applied

researches and turn to pure academic researches. In May 2012, The Hong Kong Polytechnic University warned, in a document submitted at a meeting of the Panel on Commerce and Industry of the Legislative Council, that the RGC weakened the role that universities played in the emerging knowledge-based economy in the promotion of innovation and technology, and pushed academic researches in Hong Kong into the dangerous zone of "research for the sake of research". As some newspapers have recently reported, some local universities were involved in a collective fraud for the sake of securing funding. They changed the titles of teaching staff in order to get higher ranking in research and they also fabricated certain data. More research activities should be encouraged in Hong Kong. However, when the Chief Executive responded to a comment of an old man about the excessively low standard of scientific research in Hong Kong in the radio programme "The Voice" on Sunday, he said that Hong Kong was a service-oriented economy which did not need the support of scientific research. This is a completely wrong and outdated concept because even the services industry needs scientific research. Everybody knows that the percentage of scientific research in our GDP is lower than that in other regions. We need more policy incentives such as tax relief and a review of the funding for scientific research in tertiary institutions, so as to encourage co-operation between institutions and private enterprises in carrying out more applied researches.

I so submit, President.

**MR PAUL TSE** (in Cantonese): President, I declare that I am a member of the Court of the University of Hong Kong.

To me, education is an unfamiliar subject, but we know that some Honourable colleagues have many years of related experience based on their education background and what they have just declared. I also believe many people think they have a good understanding of education. In the evening two days ago, when Mr LAM Woon-kwong expressed his views on governance, he stressed that education issues were complex. Many people who thought that they knew much about education could easily fell into a trap. We would have a clearer idea when we review the national education incident. President, you were present at that time and I think you should recall what was said. In proposing an amendment to the original motion, I am just trying to make a small attempt to target a special complaint. I have just heard the speeches made by a



number of Members; I share their feelings and concur with many of their remarks. On this subject, a lot of things can be discussed and we should have plenty of time beyond the time limit for debate.

President, let me first discuss the tip-of-the-iceberg issue mentioned in my amendment. Basically, my amendment targets a specific a complaint. As some international schools established in Hong Kong have been very popular throughout the years, they have implemented some admission policies or measures, allowing parents to buy debentures in advance; the schools will then consider according priority in admission. However, the schools will only consider according priority in admission but admission is not guaranteed. For parents, this is already a great "blessing" bestowed on them. Therefore, many parents who can afford will buy the debenture. There are some parents who may not afford, but for the sake of their children's education, they try really hard to invest in these debentures at different stages. In this specific case, the amount increased by stages from the initial \$150,000 to the latest payment of around \$600,000, as I understand. What are the problems? It is certainly gratifying if buying debentures can guarantee your children's admission. These are interest-free debentures, and theoretically, parents can get back the funds without interest when their children have completed the schooling. Thus, this is not a great problem. The biggest problem is that Hong Kong people really love speculation, and they speculate on many things including these debentures. The debentures at the initial market value of \$150,000 can have a peak value of \$4 million to \$5 million after speculation. The value of the debentures has recently become lower, but it still exceeds \$3 million.

Some parents think that the value of this debenture will only go up and will not go down, as in the case of the licences of taxis, minibuses or buses. In fact, these debentures offer no protection at all. Recently, a school has even suggested or considered that, according to the articles of association of the school, there are provisions specifying that the school may recall or cancel the debenture at its original prices, or even issue debentures afresh at any time. Another school has recently notified all parents that, irrespective of the value of the debentures at the time of purchase or after speculation, the school will stop playing the game and it will recall the debentures at their original prices. So, the debentures at a current value of more than \$3 million will only worth \$150,000. More ironically, the school told parents that if they want to continue to retain

their rights, they have to buy the debentures newly issued by the school for \$1 million. That is the current practice.

Even though some parents can afford it, the money they have painstakingly saved will evaporate overnight. We may say this serves them right as they do not know how to protect themselves. Now that the Government allows the operation of these international schools in Hong Kong, giving them concessions in terms of land or facilities, it naturally has the responsibility to ensure that these schools will not issue debentures at any time in the absence of regulation. A more important point is that, parents are forced to make considerable investments before they have been given proper warning or without knowledge, and they may even completely lose the original capital. This might only be the tip of the iceberg and I hope the Government would be concerned about the debentures of international schools. Although this may be a problem involving individual schools, as revealed in the examination recently conducted by the Public Accounts Committee, many private hospitals were obsequious when they applied for land; and they failed to strictly implement many specific provisions. There is also a dereliction of duty on the part of the Government; it has not strictly monitored the implementation of these provisions, causing much abuse. Many hospitals operating in the name of charity have actually received huge sums of investments, and their business practices are questionable.

President, a more important issue is that, a few Honourable colleagues have just mentioned education policies. Mrs Regina IP's motion is especially good and I very much agree with many of the proposals. But, the word "blind" used in this motion is crucial; there are problems if we act blindly. I definitely support the use of the word "blind" and I believe we cannot exceed the proper limits when we do a lot of things. I am thankful to Mr Charles Peter MOK for mentioning that I have brought up the issue concerning the Queen's Hill site. Perhaps I should discuss the relevant matters first.

First, as the Government has formulated the relevant policy, which is already known to all, many international sponsoring bodies have been lobbied and their interests have been aroused. They are making considerable investments in the proposals to be submitted, and some are even ready for submitting applications or making preparations for application. What message will the Government give if it suddenly orders the suspension? The message will reveal the Government's confusion, and it is always making unpredictable

policy changes in policies, which is terrible. The sports city that Mr Charles Peter MOK has just mentioned is one example. Regardless of how badly we need to identify sites for public housing construction, we must be careful and we cannot blindly construct public housing while blindly neglecting other things that should be done in areas such as healthcare and education.

Second, if we fail to preserve Hong Kong's position as an international city or its competitive position in the international arena, we will be surpassed by other cities. We have to consider this point very carefully. Once again, we should not act blindly or blindly refuse to take actions. This will enable our surrounding cities, including Shenzhen or the more distant Shanghai, to overtake us soon. Whilst we are not going to perform certain tasks, others are desperately trying to accomplish them; hence, Hong Kong would be at a disadvantage position in this regard.

President, in this connection, I think we have a great deal of problems. As revealed in Mr LAM Woon-kwong's remark mentioned by me earlier, there are many inter-related links to education and many issues are involved. Members have proposed the admission of more students and offering more loans. The proposals of handling admission matters carefully, not only admitting students from foreign countries and not only focusing on RMB earnings are correct. Nonetheless, we must carefully consider the special circumstances in Hong Kong and our background where east meets west. We attach importance to English — Ms Claudia MO proposes to enhance the English proficiency of university students, which is desirable but I am afraid it is too late — the learning processes in kindergartens, primary and secondary schools are extremely important to enhance English proficiency. That is why parents are so keen about sending their children to international schools. In view of the unique culture, background and experience of Hong Kong, I trust that we cannot take many problems as very simple. Why do we have to provide so many places to Mainland students? Where have local students gone? What is the way out for them? What about the prospect for postgraduate students? Education may be just like tourism; there is inbound and outbound tourism, import and export. Many Mainland students have been imported to Hong Kong while many students and elites from Hong Kong have been exported to Europe, the United States, Australia and Canada each year.

I have also returned to Hong Kong after pursuing studies in Australia, and I understand there are many reasons for the industrialization of education in Australia just mentioned by some Honourable colleagues. Under the local culture, it seems that everybody is fighting for admission to universities, and nobody chooses to do something that is really meaningful, or develop other crafts according to his own interests and ambitions. Since everybody is striving for university entry, many university students in Hong Kong have the academic qualifications but not experience. Many academic qualifications are actually inflated; I am afraid I am running out of time for a detailed illustration. Yet, all local education policies must take into account the characteristics of the local community, as well as the ways of thinking and practices of the Chinese people in Hong Kong. We will then be able to establish a system that is not blind and just right.

Thank you, President.

**SECRETARY FOR EDUCATION** (in Cantonese): President, the Government has all along attached great importance to the upgrading of education in terms of both quality and quantity. In its website and publications, the Education Bureau emphasizes, in particular, the holistic development of every individual in the areas of personality, intellectuality, physicality, sociability and aesthetics for the purpose of upgrading the quality and competitive edge of the population, promoting economic development and enhancing social mobility.

Since the beginning of the 21st century, Hong Kong has launched a series of curriculum and academic structure reforms with the goal of upgrading the quality of education, keeping abreast of the times and rising to the challenges brought about by globalization in the 21st century in various respects. The new academic structure provides students with extensive and balanced programmes and a diversity of choices to meet their varied needs. These programmes can help them think from a wider perspective, enhance their lifelong learning capability and expand their vision and experiences through "Other Learning Experiences" to, for instance, enhance their capability in arts appreciation, enable them to actively participate in aesthetic and physical activities, and develop a healthy style of living. All in all, our goal is to promote the holistic development of students and give them more opportunities to pursue career

planning and fulfil their personal aspirations in lifelong learning, so as to lead them to the road to successful learning and applying what they have learnt.

Meanwhile, the Government has all along injected substantial resources in education and has adopted a two-pronged approach to promote the complementary development of public tertiary institutions and self-financing institutions, on the premise of giving equal emphasis to both quality and quantity. Through enhancing mobility between the public and self-financing sectors as well as the degree and sub-degree sectors, we hope to promote a flexible and diversified education system with multiple entry and exit points. Our goal is to reinforce Hong Kong's position as a regional education hub for nurturing talents for all trades and industries, attracting talents from all parts of the world, pooling talents of different professions through exchanges, thereby upgrading the competitive edge of local talents at the regional or even international level to tie in with the positioning of Hong Kong as Asia's World City, so that Hong Kong can contribute its own strength to its development as well as the development of our country and even the world.

President, I am very grateful to Members for their concerns about ways to further upgrade the quality of education. I will listen to their valuable views attentively before giving a consolidated response. Thank you, President.

**IR DR LO WAI-KWOK** (in Cantonese): President, first of all, I would like to declare that I am a part-time professor of the City University of Hong Kong, a visiting professor of the Vocational Training Council (VTC) and an honorary fellow of The Hong Kong University of Science and Technology and the VTC.

President, the recent disturbance concerning over-enrolment by the affiliated colleges of certain universities aroused the community's reflection on the industrialization of education. The industrialization of education was advocated by the former Chief Executive in his Policy Address in 2009 and the Government's objective was to enhance Hong Kong's status as a regional education hub and nurture talent for other industries, with a view to boosting Hong Kong's competitiveness. Education is traditionally defined as a non-profit-making social service in the public interest. When the education industry is confirmed as one of the industries with clear advantages which should be further developed, people will inevitably query if education will then become a

profit-making undertaking. Can education be fully industrialized? What are the difficulties currently encountered by higher education in Hong Kong? What is the direction of its overall development?

Some critics think that industrialization of education must follow the laws of the market and pursue the greatest interest, and education reform will purely be conducted from a financial perspective. From the experience of other countries in developing the education industry, we learn that though the development can bring in stable economic benefits and increase local employment opportunities, it also leads to the establishment of many degree mills of doubtful quality, affecting the overall reputation of higher education.

The original intent of the industrialization of education is to improve the governance of the Government on education. With the establishment of a market mechanism for resource deployment, the vitality, quality and efficiency of higher education can be improved through increasing non-government investments in higher education, strengthening the links between universities and the business sector, and reinforcing the roles and functions of private universities or self-financing higher education institutions. Quite a number of famous private universities in Europe and the United States have high academic status. In spite of high tuition fees, foreign students, including Hong Kong students, are competing for places in these universities. This adequately proves that education can be a high-quality industry with clear advantages.

The universities in Hong Kong have high reputation in the Asian region, and they are very popular among overseas and Mainland students. In my view, this motion on "stopping the blind industrialization of education" has passed on the judgment that there is the blind industrialization of education in Hong Kong. This judgment lashes out at everyone and is unfair to local tertiary institutions; thus I cannot support it. If the subject of the motion is changed to "enhancing the quality of local education and avoiding the blind industrialization of education", it will have my support. It is quite a pity that there seems to be a mismatch between the contents of this motion and its subject, and the subject has gone too far.

The Government's original intent in industrializing education is to meet the demand for university places through self-financing post-secondary education. Nevertheless, obviously, it still fails to meet the demands of the community. For

this reason, in the amendments to this motion, quite a few Members urge the Government to increase the numbers of subsidized degree places, so that students meeting the admission requirements can receive subsidized university education.

President, the popularization of university education is closely related to a city's competitiveness. As stated in the latest Global Competitiveness Report of the World Economic Forum, the ranking of Hong Kong in terms of our university enrolment rate has dropped. We now rank 53rd and our capacity for sustainable development is constrained due to the limited supply of scientists and engineers. Evidently, inadequate university places not only affect the quality of human resources but also impede the future development of Hong Kong. It is essential for the Government to further increase subsidized degree and associate degree places, as well as promote the reasonable development of private universities, subsidized universities and the VTC. The development of high-quality master's degree, doctoral degree and postgraduate programmes is also extremely important.

If Hong Kong can attract the co-operation of internationally renowned sponsoring bodies to set up schools in Hong Kong, it is a good chance to promote the internationalization of education in Hong Kong and advancing our status. Certainly, appropriate policies should be formulated and the development should be conducted in an orderly way.

President, apart from insufficient university places, the problem of shortage of hostel places has become increasing serious in recent years. Information from the University Grants Committee (UGC) shows that the eight major institutions have a shortage of more than 5 000 hostel places in 2013. Quite a number of students are staying illegally in hostels and some of them are even living in sub-divided units. This basically fails to meet the accommodation needs of local or non-local students, and affects the internationalization of higher education in Hong Kong. The Government should work together with the UGC and various institutions to identify more sites for the construction of hostels, so that the objective of allowing a student to live in a hostel for at least one academic year within four academic years can be met.

Point (5) in the original motion is about a "technological research — industry chain". I opine that the Government should encourage innovative research and development, and establish links between scientific research and

industries. The Government and enterprises should provide funds and promote research partnership among government, industries and academia, so as to integrate effectively human resources, technologies and economies. Special efforts should be made in promoting complementarity of edge in research and development between universities and enterprises in Hong Kong and in the Mainland, so as to achieve self-enhancement of institutions, improve the standards of scientific research, promote scientific and technological innovation, and develop our knowledge-based economy.

President, the higher education institutions in Hong Kong have always had relatively high international rankings, which is the result of long-term efforts. We need an in-depth, comprehensive, objective and fair review, so as to formulate a long-term education policy. It is hoped that local education would advance towards internationalization, and the academic standards and quality of local institutions would be enhanced, so that education can really become a quality industry which nurtures talent and enhances the competitiveness of Hong Kong.

I so submit, President.

**DR PRISCILLA LEUNG** (in Cantonese): President, first of all I have to declare that I teach law at the School of Law of the City University of Hong Kong (CityU). Today's motion is really worth discussing but it is a shame that we can only speak for seven minutes. Hence I will only focus on the industrialization of education and the mechanism for handling complaints and share with you some of my thoughts.

Education is the foundation of a country. How a country implements education determines what kind of talents it will nurture. It is more important to teach by example as only a life can influence another life. President, I remember when I was studying politics in The Chinese University of Hong Kong (CUHK) in the 1980s, we still had the chance to have tutorial classes held on the lawn and very often students had heated arguments with teachers. However, as the CUHK approaches its 50th anniversary, many alumni miss the good old days and things are different now.



Very often we miss the days when we explored our ideals and debated with one another about our thoughts and ideas. Nowadays, teachers and students are both busy with their different businesses. What are the teachers busy with? They have to write articles and very often they lock themselves in the office and students cannot easily find them. To meet the requirements, teachers have to write articles after articles. Nowadays, the appraisal of teachers is based on the number of articles written; rather on the time they spend to influence students, with their life, experience and knowledge.

What about the University Grants Committee (UGC)? The UGC gives me the impression that it quantifies everything when approving funding applications. In this respect, the achievements of academics of humanities, in particular local academics, are of a lower rank when compared with their counterparts in the science field. Apart from publishing their studies in English, they also publish Chinese articles on social issues of special local concern but these academic studies fail to draw the recognition of international evaluation committees. Therefore, many local academics cannot obtain funding from them.

I do not consider industrialization of education a calamity in itself; rather the problem lies with insensitivity and the bigger problem is the commercialization of education. In fact, no matter it is localization, globalization or industrialization of education, the key point is that it cannot become insensitive. I remember that years ago, everyone had great resentment against the then Financial Secretary Anthony LEUNG because people found his proposals extremely offensive. He proposed to dissolve the faculties of history, philosophy, anthropology and sociology which were not profitable and might not be popular among students. I think this approach is putting the cart before the horse, and turning the relation between teachers and students into that of service providers and customers, resulting in dehumanization and isolation among people. Therefore, regarding the way forward in education, I think we should focus on getting the education direction back on the right track.

Mrs Regina IP has just said that she does not particularly oppose tutorial schools. I believe that no one will oppose these commercialized services because there is a demand for them. However, personally I do not agree to regard tutorial schools as part of our education. Education institutions cannot be replaced by tutorial schools and one should not simply focus on the academic results. Nowadays when there are recruitments, many applicants are university

graduates. Although these applicants' academic results are good, their personality and expressive skills render them unemployable. Therefore, we cannot emphasize on academic achievements alone but should pursue holistic education for our students.

I personally think that we should not totally deny the value of industrialization but should look at what scopes should be industrialized. Actually we should industrialize the academic and scientific research of universities. Overseas countries and the Mainland are well ahead of Hong Kong in this respect. The industrialization and commercialization that we advocate is not the establishment of the LI Ka-shing Faculty of Medicine, rather we should establish enterprises such as the famous Peking University Founder Group and Tsinghua Unigroup Limited. Or we should cherish talents. For example, the United States allowed YANG Xiangzhong, a young man 17 years of age from the Mainland, to develop there. YANG Xiangzhong never had the chance to receive formal education in physics and science before he was 17 because of the Cultural Revolution. But after he had received formal education in science in the United States, he began his research and finally became "the Father of Cattle Cloning". He suffered from cancer relapses many times. The United States continued to fund his research so that his life could still shine and he could continue to make contributions to the human race with his scientific research results. Unlike the LI Ka-shing Faculty of Medicine that sells a rich man's name, the Harvard Medical School has a fund of US\$1 billion ready for the use of scientific research. I think that the education of Hong Kong has to go back on the right track and we must let the next generation see that education is not a commodity.

The second point I want to talk about is Mr IP Kin-yuen's proposal to set up an inter-institutional appeal mechanism for handling complaints. I proposed this concept in as early as 1998 and Mr IP Kin-yuen was one of the academics who contributed to the conception of this idea. At the universities that we teach, there are constantly personnel and labour disputes. When the academics or staff find the current system unconvincing, very often they would lodge their complaints with the Legislative Council. I have also lodged complaints with this Council on behalf of 10 professors. When a case is reported by the media or goes to court, all three sides lose. Perhaps Members still remember the incidents involving Prof CHENG Yiu-chung, Dr Robert CHUNG Ting-yiu and also Prof Bernard LUK Hung-kay. Ten years ago at the CityU School of Law where I taught, 10 experienced Asian professors could not have their contract renewed

because of the internationalization of the university and we also lodged our complaints with the Legislative Council. In fact, the incident was detrimental to the reputation of the university, the university itself as well as the professors and some of them were excellent teachers.

Therefore, I do not think that the universities should fear this inter-institutional appeal mechanism for handling complaints. Actually this mechanism has a good intention and allows everyone to mediate in a more peaceful environment. I also think that Mr Gary FAN also proposes a mediation mechanism in his amendment. I hope that the Secretary will seriously consider this concept and in this respect we can (*The buzzer sounded*) .....

**PRESIDENT** (in Cantonese): Dr LEUNG, your speaking time is up.

**DR PRISCILLA LEUNG** (in Cantonese): ..... get a breakthrough. Thank you, President.

**MR POON SIU-PING** (in Cantonese): President, when the former Chief Executive announced the development of six industries where Hong Kong enjoys clear advantages in 2009, the Federation of Hong Kong and Kowloon Labour Unions that I belong to had considerable reservations concerning the Government's intention to turn medical services and education services which are closely related to the livelihood of Hong Kong people into commercial industries for development. We worried that when the market mechanism was blatantly introduced to cover the livelihood services, the nature of the services would be changed. The Government was no longer the service provider who cared for the needs of society as the services would be decided by the market. That not only changed the contents of the services but also the nature of services.

In fact, the problem with tertiary education in Hong Kong can be traced back to a time before that. On the part on post-secondary education in the Government Yearbook — Hong Kong 2006, it was written, "To improve the competitiveness of Hong Kong's workforce and upgrade the quality of its manpower in a knowledge-based economy, the Chief Executive announced in the 2000 Policy Address that within 10 years, 60% of Hong Kong's senior secondary

school leavers would have access to post-secondary education. This objective was achieved five years ahead of schedule: the post-secondary education participation rate increased from about 33% in the 2000-2001 school year to over 60% in the 2005-2006 school year. The development has brought about not just more learning opportunities but also more diversified progression pathways for our younger generation."

This self-bragging statement is not only an irony to the tertiary education of Hong Kong but also the cause of all its problems. First, the Government wanted to speed up the process by introducing the associate degree programmes, and then there was the industrialization of education which added more trouble to these programmes and led to the situation as described in the original motion today, that is, "in recent years, local post-secondary colleges have, for the sake of chasing profits, concentrated their resources on offering a lot of self-financing degree and associate degree programmes with high tuition fees but recognition of their qualifications in doubt, thus causing local students holding such qualifications upon graduation to face the quandary of having their academic qualifications questioned by employers, and to bear huge amounts of debt due to high tuition fees".

President, among the many policy blunders of the Government, the most disheartening is the blunders in the education policy. That not only wastes the social resources but worse still, wastes young people's best time for learning, which affects the lives of one or even several generations. This is an irremediable mistake. There is an urgent need for the Government to review the problems with the tertiary education.

In the academic year 2011-2012, more than 16 000 students enrolled in subsidized universities to study for a degree but in the same period 45 000 student fulfilled the entrance requirements of the local first-degree programmes. This reflected that subsidized university places for the first-degree programmes fall short of demand in society, which has given rise to the problem of tertiary education institutions offering various self-financing programmes in the name of industry development but for the real purpose of making profits.

"What the Great Learning teaches, is to illustrate illustrious virtue; to renovate the people; and to rest in the highest excellence."<sup>1</sup> This ancient

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<sup>1</sup> Da Xue (The Great Learning), English translation by James LEGGE.

teaching has long been cast aside by the Government. However, even if the HKSAR Government's tertiary education policy is as that described in the University Grants Committee Report on Higher Education in Hong Kong published in 2002, "The core functions of teaching and research will be drivers of economic opportunity", I also hope that the Government will allocate more resources to increase the number of subsidized first-degree places so that this employment training venue can accept more students. Otherwise, associate degree holders will waste their youth and efforts, only to be heavily in debt while their qualifications are not recognized by society. They would then have a feeling of helplessness about their lives.

President, I so submit.

**MR RONNY TONG** (in Cantonese): President, the wording that Mrs Regina IP uses for the title of her motion today is as trenchant as her personality, especially when she speaks about the need to "stop the 'blind' industrialization of education".

President, the word "blind" is simply remarkable as it may mean severe reprimand and may also imply that if it is not "blind" but "limited" or "timely" industrialization, it will be acceptable. President, after I have listened to Mrs Regina IP's speech on this motion, I am still not clear whether she means the former or the latter. But no matter what, the "industrialization" of education services is a contradictory description. President, why do I say so?

Some figures or historic records show that in 2000 the aspiration of the then Chief Executive, Mr TUNG Chee-hwa, was to raise the university enrolment rate to 60% before 2010. Last month, the Secretary openly stated that the present university enrolment rate was 24% and it was hoped that the rate could be raised to 33% in three years' time. This is also the aspiration of the Secretary. In other words, the last decade has been wasted as the situation has not been improved whatsoever.

Let us take a look at the international figures. According to a survey conducted by some international media recently, in respect to the university enrolment rate, the United States ranks the first in the world with a rate of 72.6%, the United Kingdom ranks 11th with a rate of 59.5%, Japan ranks 29th with a rate of 47.7%; even Thailand, ranking 43th, has a rate of 35.3% and Singapore,

ranking 46th, has a rate of 33.7%. President, the figures show that Hong Kong has lagged far behind in respect of industrialization of education.

Why should the former Chief Executive, Mr Donald TSANG, also proposed to industrialize our education? President, this showed that he failed to rightly assess his strength, was unsympathetic to public sentiments and even insulted the parents in Hong Kong. I believe that the greatest aspiration of parents is that their children would go to university. However, while the university enrolment rate of Hong Kong is already lagging far behind other places that have the same or even lower economic level, the authorities make use of the post-secondary places, which are gravely insufficient, to make profits and turn them into commodities. If this is not regression and perversion of policy and confusion of priorities, what else is this?

President, it is even more absurd that the last Government — it may not be the fault of the Secretary but of course he has to consider it seriously — thought that by vigorously promoting the associate degree programmes, the problem of the shortage of university places would be solved. President, is it truly so? The associate degree programme is only a mid-way education procedure in other places, such as the United Kingdom. Most associate degree graduates in many overseas universities can enter the university with a success rate of 80% or even 90%. The aim of their associate degree programmes is not to provide another kind of diploma qualification to facilitate the students to find a job but rather to prepare them for enrolment in university. But of course, whether one can enter the university is also closely related to the availability of university places.

What is the situation of the associate degree programmes in Hong Kong then? According to a recent survey conducted by the Information Portal for Accredited Post-secondary Programmes, the Hong Kong University is the most successful, with the graduates of its School of Professional and Continuing Education having the highest rate of enrolment in government-funded first degree programmes, which is 31%, and the success rate of students enrolling in subsidized first-degree programmes after finishing the first year of an associate degree programme is 38%. Although these rates are very low, the media in Hong Kong take pride in them and consider the situation satisfactory.

Actually, Hong Kong is inferior when compared with other countries. Why? In terms of qualifications, the associate degree graduates who cannot enrol in government-funded first-degree programmes are only slightly better than

secondary school leavers. Associate degree graduates have no bargaining power in the employment market and their qualifications are not even recognized or accepted by the Government. Has the introduction of associate degree programmes addressed and improved the problems of tertiary education in Hong Kong? Absolutely not.

President, in the past decade, the number of university places has not increased at all. The authorities only re-named "post secondary colleges" as "universities". It was only a name but the number of places has remained the same. Now a certain tertiary institution wishes to build a private university at the Queen's Hill site but the Government prefers to provide public housing there instead. President, this will become another controversial subject of discussion for this Council.

Moreover, although the authorities also advocate the construction of a university in the Lok Ma Chau Loop, but the objective is not to provide places for Hong Kong students but for recruiting Mainland students through the so-called industrialization of education policy. In this way, the university can charge Mainland students double tuition fees, reaping a higher profit. President, with all these issues, how can the goal of education be achieved?

Although the Secretary is still new to the office and he has many burdens on his back, there is one thing he can do — I would not say "redeem" — so as to improve the Hong Kong people's impression on him. That is, he should face up to the problem of shortage of tertiary education places and increase the number of subsidized university places. In so doing, his mission can truly be accomplished. Thank you, President.

**MR TONY TSE** (in Cantonese): President, in the Policy Address delivered in 2009, the former Chief Executive, Mr Donald TSANG, advocated to pushing ahead with the development of six industries, including education services. He believed that those industries were crucial to the development of Hong Kong's economy which would propel Hong Kong towards a knowledge-based economy. To this end, all tertiary institutions in Hong Kong have vigorously embarked on building additional premises and developing various programmes in recent years. These programmes have brought in handsome amount of extra profits for these

institutions and their self-financing postgraduate programmes have also attracted large numbers of Mainland students.

Therefore, many members of the public and the education sector worry whether the tertiary institutions in Hong Kong will neglect the quality of education for the sake of reaping profits. Besides, as the Government pushes ahead with the development of the industry of education services by granting lands to these institutions at concessionary or nil premium and providing them with loans or subsidies, will these institutions focus on reaping profits instead?

One example is the Savannah College of Art and Design (SCAD) of the United States which started its operation in Hong Kong in 2010. The former North Kowloon Magistracy was listed as one of the seven historic buildings under the Revitalizing Historic Buildings through Partnership Scheme in 2008 and SCAD was granted the site through this Scheme at nil premium; it was also provided the operation right for 10 years. SCAD offers 21 Bachelor or Masters Degree programmes. Although it has been reported recently that its intake has consistently been lower than expected, with the tuition fee of a degree programme amounting to over HK\$1 million, it is expected that SCAD would make considerable profits from the programmes.

As SCAD was granted the premises for operation free of charge, it is in a sense subsidized by the Government. As such, will the Government become the accomplice in the profit-making activities of this college? Since SCAD's operation is to a certain extent involved with the use of public resources, it is utterly inappropriate for the Government not to regulate the tuition fees of its programmes and the use of its surplus funds. The Government should look squarely at these problems and tackle them.

Moreover, various local institutions funded by the University Grants Committee (UGC) also offer self-financing post-secondary programmes. The public and Members have all along requested the Government to formulate a transparent mechanism for the regulation of tuition fees, so as to ensure that the UGC's resources will not be used to fund these self-financing programmes.

I understand that the Government is duty bound to uphold academic freedom and the autonomy of these institutions, but as these institutions are funded by public money, they can only offer self-financing programmes if they are well operated with good conditions for development. Naturally, these



self-financing programmes should be properly regulated. I expect that the Committee on Self-financing Post-secondary Education will establish a unified regulation regime on self-financing institutions and self-financing programmes, so as to create a better environment for the development of the industry of education services in Hong Kong.

President, one point of today's motion is "some private universities and the community colleges affiliated to various major institutions have concentrated their limited resources on programmes which aim at attracting Mainland students to study in Hong Kong, many local students face ..... education owing to insufficient places".

According to news reports, the information provided by the four UGC-funded institutions show that over 3 600 Mainland students enrolled in self-financing Masters Degree programmes in the 2011-2012 academic year, an increase of 27% as compared with the 2010-2011 academic year. As self-financing Masters Degree programmes have no restriction on the number of non-local intakes, there is a higher proportion of Mainland students studying these programmes. In fact, while UGC-funded institutions are offering subsidized and self-financing programmes at the same time, there are no clear guidelines on how resources should be used in respect of subsidized and self-financing programmes. Hence the Government should look squarely at this problem.

Hong Kong needs a healthy and sustainable development of the industry of education services which not only attracts Mainland students but also overseas students to come to study in Hong Kong on the premise that local students' opportunity to enrol in the programmes cannot be jeopardized or the academic standards and quality lowered. If Hong Kong is being faced with or will very likely be faced with these problems, the Government should rectify them through its policies; otherwise it will be detrimental to the development of our next generation and the overall development of Hong Kong in future.

I hope that the Government will seriously review the enrolment situation of the self-financing programmes offered by various tertiary institutions and impose appropriate regulation when necessary.

President, I so submit.

**MR TOMMY CHEUNG** (in Cantonese): President, I declare that I am a member of the Council of The Chinese University of Hong Kong.

Education can upgrade an individual's knowledge and personal qualities on the one hand, and it also governs a place's prosperity and stability on the other. The Liberal Party believes that our education policy needs to cater for local students' needs, so as to nurture more local talents and pave the way for Hong Kong's development in the time to come.

On publicly-funded post secondary programmes, at present, there is already the requirement that at least 80% of the undergraduate places must be reserved for local students. While 90% of the students enrolling on taught postgraduate programmes are local students, in the case of research postgraduate programmes, as high as 73% of the students are Mainland and overseas students whereas only 27% are local students. The situation is indeed a bit unhealthy.

The Liberal Party opines that the Government should encourage local students to pursue continuous studies, and that it may offer subsidies for students to study abroad or participate in exchange programmes. Although at present, subsidies are already available under the Sir Edward Youde Memorial Fund Scholarship Schemes for students to study abroad, their application success rates are on the low side. The Government should conduct a review to ascertain the underlying reasons, strive to provide local outstanding students with subsidies for pursuing studies outside Hong Kong, and encourage them to serve Hong Kong for a certain period of time upon return as a way of contributing to society.

However, in order to build a pluralistic society for maintaining our city's vibrancy, Hong Kong should at the same time face the world by reserving a certain number of places for outstanding talents from all over the world to pursue further studies or participate in exchange programmes in Hong Kong while encouraging local students to seek further studies.

The original motion proposes to "accord admission priority to local students who meet the entry requirements", with the intention of satisfying local students' demands. In our view, this proposal gives no cause for much criticism, but it must be handled carefully, so as not to turn Hong Kong into a self-secluded island unfavourable to the convergence of talents and jeopardize Hong Kong's development.

Actually, the severe inadequacy of undergraduate places in Hong Kong has already led to many criticisms over all these years. Instead of remaining conservative, the authorities should actively conceive ways to provide local students with more quality opportunities for articulation.

Education quality is of paramount importance to nurturing talents. Unfortunately, tertiary institutions have begun to offer self-financing programmes for income generation. As a result, some institutions have been reduced to degree mills with serious over-enrolment despite their inadequate ancillary facilities. It follows that students' share of resources is reduced and teaching quality adversely affected. Therefore, the Liberal Party opines that the Government should strive to ensure quality and suitable education for students and should even strengthen the monitoring of tertiary institutions' teaching quality while avoiding any adverse impacts on programme recognition.

President, I support the setting up of more private universities for increasing the supply of places. However, I must reiterate that education is a long-term investment to individuals and society at large, rather than an industry for profit-making. The authorities must be careful in its handling and implementation of the relevant policies. Hong Kong needs quality post secondary education, and "quality" does not equate with "expensive" or "aristocratic".

I want to raise one point in passing. The authorities must likewise squarely address the situation where certain international schools or unconventional schools receiving government subsidies see parents as "cash cows" and charge them exorbitant tuition fees and other fees on various pretexts.

Hong Kong as an international metropolis should increase the supply of international school places by all means. As a matter of fact, foreign chambers often complain that inadequate school places have impinged on their recruitment of suitable employees to work in Hong Kong. A survey conducted by the American Chamber of Commerce in Hong Kong last year reveals that the issue of international schools will affect the inflow desire of international talents and foreign investments. And, it is also a key factor that has bearing on whether Hong Kong can become a regional hub. Nonetheless, many people have complaint about the mismatch of international school places in Hong Kong, saying that most of the newly constructed international schools are located in

Kowloon and the New Territories rather than Hong Kong Island, against parents' expectations.

In addition, some local parents opt for international schools to facilitate their children's studying abroad in the future, thus adding to the already tight supply of international school places in urban districts. Therefore, in the Liberal Party's view, how to satisfy overseas countries' demand for international school places in Hong Kong is currently a great challenge to the Government. Its failure to handle this matter satisfactorily will jeopardize Hong Kong's competitiveness.

However, this does not mean that we should seek to attract the moving in of international schools at any price or allow such schools to take whatever they want from parents. For example, the Government's recent allocation of four sites at nominal premium for developing international schools with a proviso that such schools must be operated on a non-profit-making basis has induced a prestigious school from the United Kingdom — the Harrow International School — to set up a branch school in Hong Kong. However, many people and overseas employees stationing in Hong Kong can hardly satisfy the extremely high entry thresholds. And, the branch school concerned must hand over 3% of its proceeds to its main school in the United Kingdom. This is virtually the same as paying tribute every year, with Hong Kong "giving a king-sized bed as a dowry to the man whom his daughter marries". No wonder people have strong views on this matter.

I only wish to speak in response to two amendments. The first amendment is about Dr Fernando CHEUNG's request for immediately halting the University Grants Committee's Competitive Allocation mechanism. The Liberal Party considers that the mechanism can facilitate positive competition among institutions and help to enhance teaching quality. So, we disagree with its abolition.

The other amendment is the one proposed by Ms Starry LEE. She suggests that a mutual recognition mechanism for China and Hong Kong tertiary diploma qualifications be established. This proposal, as it sounds, is able to expand the pathways for Hong Kong students. However, we must think about whether it will end up allowing more Mainland tertiary students to study and work in Hong Kong and depriving Hong Kong students of their opportunities for

studying and working in Hong Kong. And, we must also think about whether it will bring about more disadvantages than advantages to Hong Kong students. Nevertheless, having read her amendment, I realize that it is obviously intended to increase local students' learning opportunities. Therefore, the Liberal Party will consider supporting her amendment.

President, I so submit.

**DR CHIANG LAI-WAN** (in Cantonese): President, today's topic is "reviving the quality of local education and stopping the blind industrialization of education". I agree with Ir Dr LO Wai-kiwok's remarks that it is better to change "reviving" to "upgrading", and that "stopping the blind industrialization of education" should be changed to "preventing the blind industrialization of education". Why? In fact, we have not yet formally commenced the industrialization of education. Although the Government has put forward six major industries, concrete policies are not yet in place for the commencement of development.

Speaking of the quality of local education, do we really need to revive it? Is it really that bad? As we can see, the ranking of Hong Kong's education in the world is pretty good. For example, the University of Hong Kong was ranked 22nd in the QS World University Rankings last year; and, as reported by *the Financial Times* of Britain, The Chinese University of Hong Kong was ranked 10th in the global EMBA Ranking 2012. In addition, students of the School of Law of the City University of Hong Kong won awards in international debating competitions. There are also other similar cases which I will not elaborate at this juncture.

How do we define high-quality education? Let me try to look at the question from the perspectives of students. When a student attends school, what he or she longs for, in my opinion, is admission into university to acquire more knowledge and ultimately wear a square academic cap. He or she must be equipped with sufficient knowledge when entering society, so as to be competitive enough to find a good job for contributing to society. For students, such is high-quality education.

Can our education be industrialized? The industrialization of education is not unfeasible, but its success hinges on how it is initiated. Let me give an

example. As Members may know, after we have put forward the industrialization of education — Hong Kong is the first to have put forward such a proposal, but Singapore is quicker in implementation. Looking at the initiatives rolled out by Singapore, we can only say that Hong Kong lags far behind. Singapore considers that the education industry is very beneficial to its national economy, and therefore sets targets for developing international education. Its objective is that by 2015, at least 150 000 foreign students can be attracted to study in Singapore, so as to create 22 000 employment opportunities in the education sector, and the total education expenditure is expected to increase from 1.9% of gross domestic product to 5%.

The Singaporean government is very smart. It knows that it is nearly impossible to establish additional renowned universities within a short period of time. Therefore, it has induced 10 world-renowned universities to offer programmes in Singapore. At present, 10 private universities and five polytechnic colleges are already offering programmes there, and some renowned universities, like the University of Chicago Booth School of Business, James Cook University and Duke University, are also running schools there.

Since putting forward the proposal of education industrialization, the Hong Kong Government has, apart from allocating some land lots and building some campuses, stopped short of rolling out any concrete policies. Yesterday afternoon, I learnt that some Principals of Oxford University were visiting Hong Kong, and they would like to know whether there was any chance for development in Hong Kong. I think this should be taken seriously.

In addition, I think what is important is that when a student admitted to a university first enters the campus, he already hopes that he can enroll in courses that can make him competitive in society in the future. I think that Hong Kong has formulated planning in many fields — housing, population or any other — but what is also needed is human resources planning for students. We must enable students to clearly know what jobs they can find in society after graduation.

Therefore, we consider that only when students can find good jobs after entering society, and can contribute to society with their competitiveness, their education can be called high-quality education. I so submit, thank you.

**DR LAM TAI-FAI** (in Cantonese): President, today Mrs Regina IP moved this motion, which I think is very important to the young generation of Hong Kong as well as to the overall development of Hong Kong in the future. Recently, many people criticized the quality of local education, saying that it has been deteriorating. I think it is right to revive it. Just enhancing the quality of education is not enough, it must be revived.

What kind of quality education do we want? What is the definition of "quality education"? To me, quality education does not mean that every student should come first and graduate from university. The quality education I have in mind offers a good and pleasant learning environment in which students can develop their potential, bring their skills into full play, enhance their value through learning, engage themselves in continuous learning, and develop good character and correct outlook on life, so as to become useful talents and pillars of our society in future. They will make contributions to society by applying what they have learnt and will continuously enrich themselves through learning. This is what quality education is, in my view.

What should we do? What can the Government do to revive the quality of local education? It is a matter of how to make good use of the limited resources to address the current problems related to education. In short, the problem of insufficient university places has existed for a long time, and has been under discussion for years. This year, there are only 12 000 places to cater for 26 000 students who are qualified for university admission. It is definitely not quality education when talents are being wasted due to grave inadequacy of university places. Therefore, I hope the Secretary can face the problem squarely.

(THE PRESIDENT'S DEPUTY, MR ANDREW LEUNG, took the Chair)

Furthermore, the school sector has indicated time and again that the provision of quality education must begin with the teacher-class ratio. Currently, there are 1.7 teachers for each class in junior secondary schools. The school sector has specifically requested the authorities to improve the situation by raising the ratio to two teachers per class. As we all know, if teachers can spend more time with students, they can have better understanding of their students' behaviour, learning abilities, strengths and weaknesses, and so on. Only then

will they be able to provide quality education and educate their students according to their abilities. Secretary, I hope that you, as a new official, would listen to the views of the school sector and engage in real work.

In addition, as the number of secondary school students is decreasing, should we not make use of this opportunity to implement small class teaching in secondary schools? The authorities should make good use of this opportunity, because we all agree that small class teaching helps to enhance the quality of education. I hope the Secretary would think thrice before acting in this aspect.

We all know teachers in Hong Kong have very heavy workload. They have to take up administrative work due to shortage of resources. In this respect, I hope the Secretary would consider allocating more funding and resources to schools, so that they can employ administrative staff to take up some work of teachers, who can then focus on their teaching work instead of having to take up administration work.

In addition, as the saying goes "provide education for all people without discrimination", I think quality education should not only aim at nurturing elite students. With regard to inclusive education, the Government should review the current mechanism and support. Yesterday, I had a meeting with a group of parents whose children have special needs. They told me their children have grave difficulties in their study without adequate support. A mother told me that her son said to her, "Don't push me to the cliff! Why did you bring me to this world?" I reckon Secretary would be saddened upon hearing such words. Schools do need special resources to take care of such students. I hope the Government would improve the current system to take good care of students with special education needs.

Speaking of blind industrialization of education, I agree with what Mrs Regina IP said. Quality education does not mean "nobility" education, nor does it mean "expensive" education. We should by all means avoid developing international schools blindly. The Government has now openly declared its strong support of international schools for attracting foreign investment. Nevertheless, has the government quantified the amount of investment, job opportunities and GDP income that this measure would create for Hong Kong? Does the Government really need to support international schools so strongly? The Government grants land to international schools at a nominal premium, and



yet these international schools charge exorbitant school fees that only children of senior officials or the rich can afford, whereas the local residents do not even dare to ask for the enrolment form. At the same time, owing to the inappropriate ratio of local and foreign students, many foreign students fail to get admission to these schools.

The Government allows international schools to operate in a business mode. It would be nice if this mode is applied to small and medium enterprises. If a plot of land could be leased to the Chinese Manufacturers' Association of Hong Kong at a premium of \$1 or \$1,000 to attract investment, I believe it would bring in plenty of foreign investments for the SAR Government and create many job opportunities for Hong Kong. In fact, apart from developing international schools, there are many other ways to attract foreign investment. A possible way is, for example, to improve the environment or make improvements in other areas. The Government should not blindly support the development of international schools. It must monitor their fees and enrolment ratio. This is the right way to support the development of international schools; otherwise it would be blind industrialization.

Deputy President, I will end here.

**MR CHRISTOPHER CHUNG** (in Cantonese): Deputy President, the motion moved by Mrs Regina IP today mainly aims at stopping the blind industrialization of education. Nevertheless, currently in our community, there are many blind anti-Mainland situations, such as opposing Mainlanders to come to Hong Kong for travel, investment and study, and so on. In doing so, the people of Hong Kong have erected a wall that isolates themselves. I am afraid this is not beneficial to Hong Kong. Mrs Regina IP's original motion also puts the blame on Mainlanders coming to Hong Kong to study self-financing programmes for the insufficient degree places for local students, such that they cannot receive tertiary education despite their fulfilment of entry requirements. However, I believe the right path to take is to arrange, in an orderly manner, Mainland students coming to Hong Kong for study and exchange purposes, with close monitoring and timely adjustment by the Government.

From time immemorial, the development of civilization and knowledge has always been enhanced by exchanges of different cultures. Therefore, Marco

Polo had, after his visit to China in the Yuan dynasty, written *The Travels of Marco Polo* when he returned to his country, and this book had affected to a certain extent Europeans' understanding of China. In early 19th century, missionary Robert MORRISON went to China to study Sinology and the Chinese language, and through him, Western society came to understand Chinese Confucian civilization. Even nowadays, many top-notch academic institutions in the West, such as Cambridge, Oxford and Harvard, also admit self-financing overseas students rather than just admitting local students. This exactly reflects the truth that "knowledge enhancement lies in cultural impact and exchanges".

Nowadays, under the overwhelming propaganda of the media and the Internet, the people of Hong Kong widely believe that Mainlanders come to Hong Kong to snatch our resources, without bringing benefits to us. As a result, they hold a very negative attitude towards reserving 4% of subsidized or 16% of non-subsidized places for foreign students, worrying that this would mean fewer resources for local students.

Deputy President, in fact, the development of Hong Kong society over the past century has been closely linked to China. The Chinese University of Hong Kong was set up by a group of Mainland scholars such as QIAN Mu and TANG Junyi when they ran away from the chaotic situation in the Mainland and came to Hong Kong. Also, Dr SUN Yat-sen studied at the Hong Kong College of Medicine for Chinese (the forerunner of the University of Hong Kong) when he was young. The people of Hong Kong are proud of this historical fact. Yet, nowadays we take a different attitude towards Mainland students coming to study in Hong Kong, rejecting and disparaging them. In fact, Dr SUN Yat-sen was a nobody when he studied in Hong Kong. Who would have imagined that he would become the leader of the 1911 Revolution who overthrew the Qing government? Similarly, many of the Mainland students studying in Hong Kong are high achievers in the National Higher Education Entrance Examination, paying their own school fees and living expenses. We cannot predict whether they will make great achievements in the future, and there is chance that they may become leaders of our nation. Just imagine, if someday our State President or Premier of the State Council had once studied in Hong Kong, or if some of us here had been schoolmates of leading officials of various provinces and cities, would this be an honour to the people of Hong Kong. Furthermore, if state leaders had once studied in Hong Kong and understood the real situation of the place, it would also be beneficial to the development of Hong Kong. Therefore,

from a utilitarian perspective and for the purpose of academic exchanges between Hong Kong and the Mainland, it is of important strategic significance to allocate a certain number of places to Mainland scholars and students to conduct research and study in Hong Kong, and this will also enhance our competitiveness in the future.

Mr Jasper TSANG Yok-sing, President of this Council, moved the motion "Developing Hong Kong into a regional education hub" on 21 June 2006. Although I was not a member of the Council back then, I would like to express my agreement to President TSANG's proposal. Mr TSANG depicted "education hub" as "drawing in, sending out". To maintain Hong Kong's status as an international community, our younger generation should foster an international outlook during their development. Local students of local institutions will definitely benefit in their studies with more fellow students from other places or from the Mainland. Moreover, if these foreign students stay in Hong Kong after completing their studies, we would have more talents for the development of Hong Kong.

The mission of education is to foster our younger generation, certainly blind industrialized and commercialized are inappropriate. On the other hand, we should not limit our own progress by attributing the problem of insufficient school places in Hong Kong to Mainland students coming to Hong Kong to "snatch" the school places. What the Government should do is to enlarge the "cake" of local tertiary places to, on the one hand, meet the needs of eligible local students and, on the other hand, attract outstanding Mainland talents to study in Hong Kong, so as to enhance Hong Kong's academic standard and complement the development of Hong Kong. I hope the community can recognize the mutual benefits in this area and stop blindly rejecting the contributions made by Mainland students on Hong Kong.

Deputy President, I so submit.

**MR CHEUNG KWOK-CHE** (in Cantonese): Deputy President, last month, in reply to the question raised by Members, the Education Bureau pointed out that last year, under the double-cohort system, more than 40 000 students fulfilled the basic requirements for university admission; and among them, about 30 000 had enrolled in the eight tertiary institutions, 6 800 had enrolled in local self-financing

degree programmes, and the other 7 500 had to find other way out, such as studying abroad and enrolling in sub-degree programmes. However, there were in fact a total of 7 700 places for self-financing degree programmes last year. In other words, about 900 self-financing places had no intakes. Obviously, it was probably due to the high tuition fees that students could not afford, and those who afford to pay would rather study abroad.

The direction of developing education services was proposed in 2009 during the Donald TSANG's times. Its objective is "to enhance Hong Kong's status as a regional education hub, thus boosting Hong Kong's competitiveness and complementing the future development of the Mainland". Last year, the *Report on the Development of Education Services in Hong Kong* published by the relevant working group set up by the Government made a number of suggestions, which include: stepping up branding, developing niche areas in the education sector that possess great potential, widening the net of non-local students, and enriching the learning experience of non-local students. This means that the Government, while facing the situation of serious shortage of university places, has still put a lot of efforts into developing education services catering mainly for non-local students so as to be a regional education hub, and this is the current situation of the local tertiary education.

Theoretically speaking, the concept of industrialization of education is by no means all bad. Education should not necessarily be run by government funds, nor does the community want the Government to be the sole provider of education. To put it in a more academic way, education has both public and private attributes. Regarding the part of public attribute in education, the Government should be responsible; and regarding the part of private attribute, it should be regarded as self-enhancement, and should be self-financed by the beneficiaries, with appropriate support from the Government as a kind of incentive. Thus, it can be seen that while education can be regarded as an industry, its boundary should be clearly defined, so as to determine which part of education activities can be considered for the introduction of a market mechanism to enhance the vitality and efficiency. Part of the education cost for such kind of learning can be shared by individuals.

However, the current chaotic situation of local higher education lies in "not distinguishing between public and private attributes, and running private undertakings with public funds". Universities have been running self-financing

programmes in the mode of community colleges, and very often, there is no clear division of authority and responsibilities between university and community college. There are very often conflicts between corporate culture and campus culture, especially in the area of school administration. Moreover, commercial values have obviously eroded university spirit and distorted education behaviour. For instance, recently, there are universities which indiscriminately admitted students who have not reached the required standard, resulting in serious over-enrolment, leading to a decrease in teaching hours or an increase in class sizes. Furthermore, despite inadequate campus facilities, and the construction of the teaching blocks and hostels fail to complete on time, the university authorities still went ahead to run the programmes. As a result, students have no permanent classrooms, which not only affect normal teaching, but also gravely impact on the work of scientific research.

As a matter of fact, such chaotic situations were related to insufficient resources. Education institutions are fully devoted in running self-financing programmes, which undoubtedly is due to the lucrative revenues that can be derived from such programmes, which can fill the shortage in resources. On the one hand, the Government forces institutions to offer new programmes without allocating more resources; and on the other hand, it assesses the schools' international ranking by the number of non-local student intake. Seeing the affordability of Mainland students to pay high tuition fees, the institutions naturally tally with the Government's grand plan of industrialization of education, and lopsidedly offer the already insufficient education opportunities to non-local students. As a result, various weird and bizarre modes of operation have emerged in the huge education market. Eventually, there are a series of scandals involving the community colleges of the Lingnan University and the University of Hong Kong. Deputy President, I dare say that if the Government does not stop the direction of development of this so called "industrialization", more and more scandals will occur one after another, and the reputation of the Hong Kong's education sector will be further tarnished.

In his amendment, Mr IP Kin-yuen proposes "to admit more local students to publicly-funded degree programmes", which has exactly pointed out where the problem lies. Given the serious shortage of education funding at present, the Government's implementation of the so-called industrialization is in fact a kind of neo-liberalism in a deregulatory free market, with the major motive of making up the reduced education funding, and placing the focus on "income generating,

operating, and marketization", and ignoring the concern for equal education opportunities and the essence of education. The Government is actually "operating schools for profits" rather than "educating the people". While there may be an increasing number of places for local higher education and an extended scope with more education opportunities offered for the public, education has become more and more expensive, and quality education has gradually becoming a privilege exclusively for the rich and the powerful. More unfortunately, there is a loss of education values, the anomie of the education profession, and the lowering of education quality.

Deputy President, the Government must see clearly the basic value in the development and reform of education, and must not sacrifice Hong Kong's education foundation and its younger generation by paying attention only to the economy and blindly believing in the market.

Deputy President, I so submit.

**DR KWOK KA-KI** (in Cantonese): Deputy President, as everyone knows, the term "industrialization of education" has a nickname in the community, and it is "miserable industrialization"<sup>2</sup>. This, I think, is by no means an exaggeration, given the recent series of scandals occurring in the Community College at Lingnan University, the University of Hong Kong (HKU), and the Tung Wah Group of Hospitals Community College of The Chinese University of Hong Kong (CUHK).

Many parents endure all kinds of hardships in order to send their children to school to complete secondary education. Induced by the Government's commitment made under the "334" structure, they believe that the Government will realize its promise to the public and to parents to develop post-secondary education, they hence even resort to borrowing money for their children to take the associate degree programmes. In the end, according to unemployment rates of the third and fourth quarters of 2011, the unemployment rates of associate degree graduates were 5.5% and 4.6%, respectively, even higher than those of primary school leavers. Why can't these graduates find a job? The reason is simple: employers generally consider that associate degree programmes are of inferior standard, and this perception is not anything new.

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<sup>2</sup> "慘業" (caam2 jip6) meaning miserable industry versus "產業" (caan2 jip6) meaning industry

Recently, there was a report on the assessment of the English standard of associate degree graduates, and it was found that their standard was falling. We do not blame these students. Instead, we should blame the education authority and the money-minded post-secondary colleges for indiscriminately offering programmes, such as associate degree programmes and private universities for offering courses under various names, for the ultimate purpose of making money. As you all know, a private university, the Centennial College run by the University of Hong Kong, my alma mater, has already been set up.

Just now, we heard Dr Fernando CHEUNG speak about the many incidents in the academic sector, and everyone sighed in disapproval. Those people involved are by no means academics, but "swindlers". Some operators of community colleges are no different from those big-bellied businessmen in appearance, and their practices are exactly the same as those of unscrupulous traders. They keep increasing places for associate degree programmes even when there are not enough classrooms and teachers, and even when the preparation work has not been done.

(THE PRESIDENT resumed the Chair)

Secretary, strictly speaking, this issue has nothing to do with you. This is an awful mess left behind by your two predecessors during the era of TUNG Chee-hwa. However, the situation would just keep worsening if such practices remain unchanged during your term in office. We are talking about genuine education, which requires the Government's monitoring, assessment of its standard, as well as the provision of adequate support.

In Hong Kong, it truly is the case that the poorer you are, the worse situation you will fall into. Those who are admitted to university can obtain financial assistance, and the fees they pay are reduced from the cost fee of \$200,000 to around \$60,000 to \$70,000. They are in a better situation, as their parents' burden can be relieved. Children from rich families, such as those of the Secretary or various senior officials, can study abroad, as they can afford that. However, most of the 10%-odd students who stay in Hong Kong and fail to obtain a subsidized place come from poor or ordinary families, and it is most unfortunate of them to be cheated into taking associate degree programmes. On

enrolment days for associate degree programmes, the sites concerned are well decorated, just like the opening day of telecommunication companies, with bouquets of flowers around, refreshments readily served, and souvenirs to be taken away freely. The sole aim is to get business done. All these are common phenomenon in the commercial world.

What is most heartbreaking is that the academic sector in Hong Kong, from established universities such as the HKU, the CUHK and The Hong Kong University of Science and Technology to newly founded self-financing institutions, all of them run in a business model. Nowadays, it turns out that property developers no longer rank first in spending money on placing advertisements in newspapers; instead, all press advertisements are on various associate degree programmes and diploma programmes, publicizing how diploma programmes can articulate into associate degree programmes and further into degree programmes. As for programmes that cannot be articulated, the HKU and CUHK even go so far as to find another self-financing programme for students. Without increasing their own degree places, these universities link with one or two overseas universities, either well known or unknown ones, so that students, with a payment of over \$100,000 a year, can study for another year or two to get a degree. Is that ridiculous? When has education in Hong Kong, in particular university education, been degenerated into such a state that is even worse than unscrupulous businessmen?

I believe the Government is the main culprit behind such a situation. If it had not implemented this "caam2 jip6" (miserable industry) of associate degree education back then, Secretary, it is "caam2 jip6" (miserable industry), not "caan2 jip6" (industry), there would not have been so many youngsters who are heavily in debt and yet cannot find a job after completing their associate degree programmes.

Certainly, I agree that the Government must increase the number of subsidized places. If it wants to implement associate degree programmes, students enrolled in these programmes should all be subsidized, because they are the most unfortunate group and should not be neglected, leaving them to be "slaughtered" by universities for constructing grandiose school premises. Of course, the university authorities would claim no responsibilities for that, and argue that they have to "make the greatest profit" because they have been pressed by the Government to repay their loans. Ultimately, the responsibility lies in the



Government. Of course, not everyone has to study in universities, and university programmes have their inadequacies. It is also a viable means to enable students to master a professional skill through vocational training. However, the Government also washes its hands off the matter, and now even the Vocational Training Council intends to offer associate degree programmes. It can be said that it is not practicing its proper business. The current Government is absolutely irresponsible if it does not address such a situation.

President, I so submit. Thank you.

**MR CHAN KIN-POR** (in Cantonese): The basic objective of education is to impart knowledge to our younger generation. To society as a whole, education is a sacred mission. However, it has gradually become the money-spinner of tertiary institutions ever since the Government has decided to develop tertiary education. As the supply of subsidized tertiary places has been unable to meet their demand, there is a great demand for self-financing programmes. Institutions offering such programmes make lucrative profits by charging high fees, and consequently they all compete to offer such programmes and enrol large number of students. As a result, malpractices will naturally occur.

As a matter of fact, there is nothing wrong in developing education services and offering self-financing programmes. We see countries in Europe and America with advanced education also adopt the same practices. Yet, education services should not be developed blindly. We should not tolerate institutions blindly accepting student without due consideration for quality and principles, nor should we allow institutions to develop into diploma factories, developing education services like operating a business. Today, the original motion and various amendments have made numerous suggestions regarding tertiary education. To me, most of them are constructive, and I do not intend to elaborate on them. Instead, I want to specifically address the issue of primary and secondary teaching, from the perspective of reviving the quality of local education. I and many friends of mine hold rather strong opinions about this issue.

There are many problems in local primary and secondary education, and its greatest failure is that it has made many students become uninterested in learning. In fact, Hong Kong spends a lot on education, and in this financial year it takes up 22% of our recurrent expenditure, the biggest expenditure of the Government.

Given the huge amount of money put into its operation, one would expect very good quality of teaching. Yet on the contrary, parents with the financial means all want their children to flee the local education system. It has been said that our senior officials especially like to send their children to study abroad. Many of my friends and I have the similar experience that our children, who are completely uninterested in learning when studying in local schools, enjoy classes when they study in international schools or abroad, but some of them even achieve outstanding results. This phenomenon warrants our consideration.

Many people believe the problem lies in our education system. Since nine-year free education was implemented, the Government has allocated huge amount of resources, and the education department has been co-ordinating the education system by practicing central planning and strictly regulating curriculum content, language policy, teaching qualification requirement and examination system. It enjoys extremely extensive authority. However, nowadays it is hard for its central planning to catch up with the rapid changes of society. At the same time, in recent years it has kept proposing reforms, which, despite their good intentions, have often been implemented hastily without managing well the pressure facing front-line teachers. As a result, reforms in education often end up fruitless, merely causing the local educational system to become more and more complicated.

How can the current predicament be resolved? A friend of mine in the education sector once said the best way is to deploy officials in the education department to do front-line teaching. While my friend might not be serious when saying these words, removing barriers probably is a really good way. I think the Government should study afresh on the entire education system. It should at least simplify the current system to a certain extent, so that school sponsoring bodies and schools can enjoy a certain degree of autonomy.

On the other hand, our primary and secondary curricula are too substantial, and we should consider cutting part of their contents. In fact, after the Diploma of Secondary Education programme has been implemented, some schools found that they cannot complete the teaching of the three-year senior secondary curriculum. Therefore they have to hold extra classes for students during holidays. Both students and teachers say they have been driven crazy by such extra classes. In fact, our current world has entered the information explosion era, and our current knowledge becomes obsolete quickly, to be replaced with

new knowledge. Therefore, rather than instilling knowledge in a spoon feeding manner, we should delete part of the curriculum and use the time saved to train our students' mental ability and their ability to pursue lifelong learning. This may be helpful to the students.

Along with the curriculum, I think homework should also be reduced. We are not experts, but from a parent's perspective, heavy homework is definitely the culprit causing students to lose their learning interest. It is natural for students to feel pressured if they have to spend several hours on doing homework every day. The worst thing is, more homework by no means implies better results. Most of our local schools give their students a lot of homework, and in theory most students should get good results. But that is not the case. Recently, the French President advocated not to bring homework home. His suggestion has aroused much controversy. I believe it is hard for Hong Kong to achieve "zero homework". Nevertheless, if the Government can reduce the content of school programmes and let students use the time saved to finish their homework at school, as I mentioned above, then their homework time at home can be reduced. The aim of reducing homework can then be achieved.

In short, reviving the quality of local education is crucial to reviving our students' interest in learning. I have seen plenty of cases in which students with little interest in learning performed with flying colours when such interest rekindled in them upon studying abroad. I hope the authority concerned would seriously consider the relevant suggestions. President, I so submit.

**MS CYD HO** (in Cantonese): Soon after the SAR was set up, its first Chief Executive, Mr TUNG already recognized education as a major issue in Hong Kong. At the time he entrusted Antony LEUNG to carry out a review on education. He also laid down the grand aspiration of hoping more than 60% of local students would achieve the level of post-secondary education. At the time when such grand aspiration was laid down, only more than 30% of students could enter post-secondary institutions. The vision was a good one, but the officials really lacked humanistic quality, and the Government did not allocate resources in education, either due to the financial crisis or because it did not want to allocate so much money. Instead, it developed post-secondary education with the aim to enhancing labour productivity and competitiveness. It also left the cost of education to families and individuals.

During the education review back then, the authority concerned placed too much emphasis on immediate functions, effectiveness and material gain. As a result, the current post-secondary education has developed into a profit-making business detrimental to the interest of students. This is extremely unfortunate. Recently, even the eight publicly-funded institutions have also adopted measures that place emphasis on elements such as function, effectiveness and material gain. I am referring to the so-called "Competitive Allocation mechanism", under which each year every university has to set aside a certain percentage of its resources for competitive allocation, and then they compete with each other for resources in this "big pool". What is the outcome? Certain institutions, such as the Polytechnic University, have been wiped out completely, and lost all the 6% resources they set aside. A more common situation is that the institutions would first of all cut their humanities and liberal arts education, because no one would take these subjects, nor can they acquire resources in the competition. Finally, the most likely situation is that our post-secondary education becomes high-class vocational training schools mainly offering trade and industry, economic, financial and technological training, while there would be fewer and fewer arts or history subjects.

When even the eight publicly-funded institutions cannot resist the economic incentives and have excessive student intakes, the situation of other private institutions is even worse. Therefore, the 2010 UGC Report also proposed regulating private institutions and associate degree programmes. This has also inherited one of the directions previously proposed by Prof SUTHERLAND in his report. However, by now there is no sign of any regulatory structure on private institutions and associate degree programmes. Yet this is a matter of great urgency, or else the quality of the relevant institutions and programmes will be less and less desirable. President, education should really not be seen as an industry. It should be an "aspiration industry". Of course, we cannot stop certain organizations from setting their priority to profit-making; hence we should not subsidize such organizations and should instead regulate their quality. We should demand publicly-funded institutions to formulate high standards of education quality. We should also legislate to protect the academic freedom of institutions through the university charters.

President, private institutions are not necessarily bad. They can have greater room to transcend the rigidity brought about by monitoring the use of public funding. This applies to universities, secondary schools and primary

schools. With regard to secondary schools, Ms Ada WONG Ying-kay, a good friend of mine, operates a school of creativity, which is a school under the Direct Subsidy Scheme. It specifically takes in students abandoned by other mainstream schools, which consider them "unteachable". This school is non-profit-making. However, it manages, within a few years, to find a new path for a group of students abandoned by mainstream schools. Their results in public examinations may not be excellent, but after studying in this school for a few years, their personalities have indeed changed, with greater self-confidence and a sense of curiosity. This is something that publicly-funded schools under a rigid system may not be able to achieve.

The same applies to universities. Currently, publicly-funded universities are often research-oriented, because they are concerned with their ranking and have to fight for resources from the authority concerned. As a result, teaching may not be their major core. Therefore, if the private university focuses on liberal arts education, offers more humanity subjects, and is teaching-oriented, it should be encouraged. However, unfortunately, recently we learnt from press reports that the Government has already leaked out information that the Queen's Hill site, which was planned for developing a private university, will now be used for housing development in order to meet the tight housing needs.

I hope the Government would not place housing needs and education needs in conflicting positions. In fact, there is an existing golf course in the northeastern part of the New Territories, serving the recreational needs of a small number of people. It is more worthwhile for the Government to develop public housing in that plot of land, rather than immediately "guillotining" a project for private university. Of course, we hope this site for developing a private university can fall into the hands of an institution with quality and vision that would develop it into a truly international post-secondary institution focused on humanities and liberal arts education for Hong Kong.

Thank you, President.

**MR CHAN CHI-CHUEN** (in Cantonese): President, we are discussing the industrialization of university education, which means treating university as a business and turning it into numbers and money. In short, it is an issue about money. Each year, the Government allocates over \$10 billion of public funding

to various institutions through the University Grants Committee (UGC) to subsidize their work of talent nurturing and academic development. Of the funding, 25% belongs to research grants. Nevertheless, while the money has been spent, the outcome of tertiary education at various levels keeps deteriorating, and the way they conducted their work is just disgusting.

In 2006, teaching staff of the eight tertiary institutions had their salaries delinked from the civil service pay. The universities could ask teaching staff with low research scores to change their post titles without changing their actual work, so as to increase the ratio of staff undertaking research work and seek more research grants. On the contrary, honest universities that did not cheat with false figures experienced the bitter result of a sharp fall in their research ranking, and in the end were left with no choice but to follow the crowd by setting up some alternate teaching positions. Such practice has seriously thwarted the research atmosphere of universities. Teaching personnel whose post title has changed felt frustrated while their workloads keep increasing. At the same time they saw those "fortunate survivors" who do not need to change their post enjoy doing research and strive for funding for the university. The layers of pressure not only suffocate upward mobility, but also made some staff do research merely for the sake of research. Originally, research was meant for the pursuit of truth, and education should integrate with academic research. Now, however, both the universities and their teaching staff bow to figures.

What about the situation of university enrolment? Students applying for admission have now become the "gods of wealth" or "bosses" of various tertiary institutions. As usual, the eight funded-institutions remain subsidized by the Government, and at the same time they continue to expand their enrolment of self-financing programmes. Earnings from self-financing programmes can be as high as several billion dollars, and the profit after cost deduction is very astounding. Even Laura CHA, the former UGC Chairperson, indicated that, as quoted by many colleagues today, there are "small vaults" as incomes from self-financing programmes are kept by the departments offering the programme, which may arouse the suspicion that they make money with public funding. It is unacceptable that some departments keep the lucrative proceedings from self-financing programmes, without submitting them to the central administration of universities.

We often hold the marks-oriented and money-minded tutoring culture in secondary education in contempt. Who would have anticipated that the higher education institutions of Hong Kong would also degrade into slipshod diploma factories? People of the previous generation often said, "each new generation is inferior to the last". Now higher intellectuals who operate education institutions are exactly the first ones to betray the noble education ideals with an impure mind. Should the running of universities be carried out by educators or entrepreneurs?

The problem related to associate degrees has all to do with money, and it has not been solved since 2000. Today, the problem concerning recognition of associate degrees could have been avoided by means of upgrading tertiary institutions or developing private universities back then. Eventually, today there are less than 5% associate degree top-up programmes, and their recognition are way behind bachelor degrees. Moreover, the tuition fees of associate degree programmes are high, making them the "money-spinner" of universities, but for students, they are the "academic negative equity". Students regret for having taken a wrong step, as the recognition of certain associate degree programmes is even lower than higher diploma. Nevertheless, this year there are universities which want to make even more money. Ignoring the fact that problems abound, they kept over-enrolling students and over-charging fees by offering the so-called pre-associate degree or higher diploma programmes. All the abovementioned problems, from PhD degrees, Master degrees, post-graduate degrees, degrees to associate degrees, can be said to "place more importance on money than on quality", and are purely means of the institutions to reap profits at different levels.

The failure of university education has been entirely due to the abovementioned problems in how universities have been operated. The Liberal Studies subject in secondary schools keeps emphasizing innovation, breakthrough, and the need for Hong Kong to develop creative industries under globalization, and yet the universities are places where students' ideas and creativity are being throttled. Just like the SAR Government, those in high positions misbehave and those in lower positions follow suit, and everyone just set his eyes on nothing but money, thus missing opportunities for nurturing top talents.

In view of these operation realities, we think the salaries of university teaching staff should once again be linked with the civil service system. At the

same time, the number of enrolment and scope of programmes offered by tertiary institutions should be reviewed and assessed. Enrolment of non-local students should be focused on the ratio between local and non-local graduate students. More subsidies, places and benefits conducive to attracting local undergraduates in undertaking research should also be provided, so as to create a more pluralistic and positive academic atmosphere. This will also encourage more research talents to serve the local community.

As regards how to fulfil our education ideals, many people overlook the fundamental influence of secondary education. Many university professors lament the lack of research talents. They think nowadays secondary students are like primary students, and university students are like secondary students. They are totally not ready for the pursuit of knowledge at a higher level of studies. Instead, they are most interested in making money, and will only do private tutoring during their spare time to buy brand name products.

A survey on course selection intention of top students of the last HKALE was conducted this July. Among them, 90% selected Global Business Administration, and none selected Humanities-related subjects. One can say that our local students are really intelligent, believing in utilitarianism since their young age, and apart from studying for marks so as to get into universities, their next objective of success is to make great fortunes. No wonder Henry TANG once asked the "post-80s" why they could not become the next LI Ka-shing. If you have ever mocked about secondary students aspiring to become LI Ka-shing, then those who aspire to become EINSTEIN, MOZART or VAN GOGH would probably be ridiculed to extreme embarrassment.

It is not possible to change such atmosphere by means of the provision of Liberal Studies, nor of National Education, which encourages submission to the regime. Instead, we should conduct a comprehensive review on the contents of secondary education, design how to teach thinking skills in a simple and direct way, and consider increasing programmes with culture and morality as themes. Only by doing so will there be hope to change the prevalent social atmosphere and people's mindset of setting eyes on money, on selecting engineering subjects and business subjects only. President, I so submit.



**MR ALBERT HO** (in Cantonese): President, the ideal of university education is to nurture someone who, through receiving university education, has the passion for life-long pursuit of knowledge and the analytical ability and power of judgment in learning. Certainly, university education should also ensure the overall development of character, and therefore I totally agree with developing character in various areas suggested in Mrs Regina IP's motion.

Surely, university education pays attention to collaborating with certain professional training, which enables talents nurtured to meet the needs of economic development of society. However, the greatest distinction between universities and professional institutions is that in universities, firstly, offering technical training is less important than ensuring the adequate impart of theoretical knowledge for every subject, and, secondly, even for a subject-specific programme, it should not just focus on professional training without broadening students' vision about other subjects. Therefore, why do many institutions offer subjects of so-called liberal arts education? This point is important.

I am greatly concerned that at present, university education is becoming more and more commercialized. Many people select their subjects with the mindset of seeking quick success and instant benefits, without any interest in the pursuit of the necessary basic knowledge. For this reason, students would only take subjects of the so-called liberal studies or liberal arts education offered by many institutions when those subjects are made compulsory. I think the entire community should be concerned about this phenomenon. However, at the same time, in compliance with market needs, many institutions are gradually cutting their funding for humanities and liberal arts subjects, and even gradually removing subjects such as History, Archeology and Anthropology. Are there still any ideals in such post-secondary education? Or has it simply turned universities into technical training institutions, regressing into the so-called technical colleges? If that is the case, would such institutions still deserve to be called universities? This is the first point.

Secondly, we are especially concerned that recently many universities, probably subject to Government's funding restrictions and having to strive for resources, have offered many associate degree programmes proven to be financially lucrative. In particular, I have noted the surplus made by the eight tertiary institutions which offer the so-called self-financing programmes. Let

me provide you some figures. In the academic year 2008-2009, its total amount was \$284 million, and the amount had increased to \$771 million in the academic year of 2009-2010, an increase of 171%. In the academic year 2010-2011, it further increased to \$955 million, a 24% increase compared to the previous year. With regard to the institutions that made the greatest surplus in the last academic year, the first three are respectively, the City University of Hong Kong (CityU), with a surplus of \$225 million, the University of Hong Kong, with \$198 million, and The Hong Kong Polytechnic University, with \$190 million. The CityU is the one with the greatest surplus over three consecutive years.

Honourable Members, how come these institutions which should, on the one hand, have upheld noble education ideals, lack adequate resources to develop humanities subjects and adequate support for many worthwhile research studies, but, on the other hand, offer so many so-called self-financing programmes to reap huge profits? Is this the right direction of development? The Government should not ignore the great amounts of money earned, because many of those who pay the fees for such programmes have either been subsidized by the Government or have taken out loans.

Therefore, we strongly demand that the Government should face the problems squarely. Firstly, the programme quality of these institutions should be adequately monitored, and, secondly, have the education objectives and ideals been deviated by allowing these institutions to make such lucrative profits with Government subsidy? We must all remember that these institutions cannot earn so much money without using their campus premises, and capitalizing on their reputation and many currently available resources. Therefore, the Government has the obligation to well monitor the situation, so as to ensure that these education institutions cannot reap profits unrestrainedly on the pretext of collaborating with the Government's aim of industrialization of education, while in reality they are heading towards the commercialization of education. This is unacceptable to us. Therefore, school management in future should have adequate transparency and accountability and should be put under public monitoring, and the Government should regularly urge the schools to submit adequate information and let the Legislative Council exercise its monitoring authority.

**MR LEUNG KWOK-HUNG** (in Cantonese): President, in the old colonial times, education in Hong Kong was obviously a system of distribution, because there were a lot of poor people, and only the rich could receive the elitist education. President, you belong to those who had the chance to receive the elitist education, right? In those days, rights were non-existent in society. To make a living, every one had to accept such highly stratified education. Those who graduated from secondary grammar schools could become government officials or enter the business sector, at least they could get a clerical job. Those who were second best would attend technical secondary schools and became so-called technicians. With better qualifications, they could become engineers through examinations. The further less able ones would enter practical schools. Initially, I did not know what was meant by practical schools, and later I realized that "practical" means earning money. As for the least smart group, they had to attend private schools, which charged high fees but the quality was poor. After so many years of discussion, all we have is a new title, with little accomplishment. Exactly, what does it mean by industrialization? This has a lot to do with our corrupt system.

Let us now discuss about LEUNG Chun-ying. After reunification, TUNG Chee-hwa declared that he would carry out three projects, and appointed LEUNG Chun-ying to be in charge of the long-term housing strategy. We all know he made a great fortune. His company has grown in size. At first it was the CY Leung & Co. Ltd. Later, there was the DTZ Debenham Tie Leung Ltd., and then he became the fourth largest shareholder of DTZ Holdings. He was appointed to be responsible for handling the housing problem, so that more people could have their own homes. It turned out his business grew bigger and bigger.

What is the point of saying all these? The same happened to Antony LEUNG, who was appointed to be in charge of education. He grew rich through speculation in stock and finance. Education would surely be "dead" if he was to be the person in charge. A "lame" Government had appointed a "dead" person to be in charge of education. Antony LEUNG thought everything in the world could be quantified as money. Therefore, he did not see anything special in education. Problems would be solved simply by capitalization or industrialization.

Okay, all questions have thus arisen. TUNG Chee-hwa did not feel right. Since he had not made much achievement, so he thought: why did we not learn from Singapore, and let 60% of school-age children attend tertiary institutions? It does not matter. As long as 18% of students could get into Government-subsidized universities, the remaining 42% could jump into a pool of strong acid to learn swimming. That was their training method: you must be able to swim in a strong acid pool before you could become strong. Buddy, the problem of the so-called industrialization that we discuss today originated from this concept.

President, with our Motherland joining the WTO, industrialization has made a further step. After the signing of CEPA, more rich people from the Mainland have come to study in Hong Kong. So some people suggested that further industrialization would be better. Since the poor quality education programmes could still attract 42% of students, some better programmes would definitely guarantee enrolment. That is what the so-called industrialization of education is all about, right? Apart from the 18% of local students who can enjoy their rights by studying in government subsidized universities as a kind of welfare, all other students, I am sorry, they have to pay tuition fees.

President, simply put, I really hate rich people, but I think rich people can be quite far-sighted. For example, rich people in the United States and Europe, with so much money that they could not possibly spend them all, gave out some money to run Harvard University or Princeton University. What they had done was exactly contrary to what you have been doing now, that is industrialization of education, which you think is so important that must be carried out. These rich people are not going through industrial procedures. Obviously, they do so because they have so much money and are so fat that they cannot even put their socks on. They want to do a good deed before they die. Buddy, even rich guys who are slightly far-sighted and with some sense of integrity or even elites of the bourgeoisie know that education is doomed to failure if it cares only about money. Even Confucius could only "teach three thousand students, with seventy of them turned scholars". Do you think he did not want to take in more students? Yet, buddy, he also had to make a living. How could he run education without money? Confucius said "education for everyone", but he did not really mean it.

Therefore, in order to provide education, we should definitely not industrialize it. The nature of industrialization is unceasing mass production, unceasing re-using and re-buying. One even has to make it sensational, make it a sensual excitement requiring no thinking. Nowadays learning is surely just sensual excitement ..... buddy, parents ask their children to choose a suitable and affordable school.

President, I think it is laughable and shameful for us to discuss this issue. Let us not compare with other places; just compare with Singapore. Singapore is similar to us in terms of national strength. Everything is similar. We copy each other. However, with regard to education expenses, we spend a dollar only when Singapore spends two. Let us not make so many high-sounding speeches. That day, we said to Secretary NG that as Secretary he could ask the Chief Secretary for funding. He is a person with ideals. He should point out to the Chief Secretary that more money should be allocated to education, which should not be industrialized or capitalized.

Therefore, I think it's very simple. It will be a waste of time if LEUNG Chun-ying fails to propose major reforms in the coming Budget. Let us forget promises like policies will come out successively". President, I have no more to say.

**PRESIDENT** (in Cantonese): Does any other Member wish to speak?

**MR ALBERT CHAN** (in Cantonese): President, there have been much discussion on the issue of local education, especially higher education, in this Chamber and by various committees. Hong Kong is world famous for its subsidy and financial expenses on higher education institutions and for the high remuneration of the staff in higher education institutions. The pay of the so-called professors and teaching staff of local higher education institutions and universities is higher than those of Harvard University and Yale University. Very often, "lecturers" in Hong Kong are called "professors" in the United States and Canada, and they receive similar wages. However, they differ greatly in terms of publications and standard, in particular, in the field of international academic research.

All local academic institutions have been competing to take the lead; they also compete in the number of programmes offered, especially those related to job promotion. There is no division of work among these institutions. I had raised this criticism repeatedly many years ago. In fact, currently there are more than 10 higher education institutions in Hong Kong, but there is a lack of systematic, well planned and clear division of work in programme offers. Consequently, some programmes are offered by various institutions, while some programmes are abandoned by almost all institutions. Our university education fails to strike a balance between career prospect and talent nurturing. Furthermore, there is a major problem in programme planning, that is, they fail to tally with the economy of the entire society. Sometimes too many talents are created, and sometime no talents are nurtured. The problem has been fully reflected in respect of nurse training many years ago.

While we are discussing this issue, it is widely circulated on the Internet that recently the City University of Hong Kong (CityU) has announced the cancellation of the part-time programme for assistant social work officers. Many of those who work in social organizations hope to complete their undergraduate studies through taking part-time programmes. However, recently the CityU has deprived front-line personnel of a chance to acquire a social work degree by cancelling a highly popular programme under an absurd pretext of venue arrangement. Therefore, I would like to use this opportunity to request the Secretary to personally take a look at this problem. This is absurd. Shortage of venue was merely due to certain lease problems. Tell those senior administrative personnel to go home and sleep. Front-line personnel have no chance to pursue further studies just because of the administrative errors of senior management staff. Should such problems occur in Hong Kong?

As we all know, these part-time programmes may not bring financial benefits to the university. Now the universities have turned into business-like education institutions. All of them scramble to offer associate degree programmes because there is profit to make. They can employ lecturers with low pay, and then start the programmes. They attract students to take the associate degree programmes, which are of no help to students upon completion of the course. Every institution fights to offer programmes that make money. For programmes that do not make money, even if they have been offered for six to seven years, the institution may cancel them overnight on the excuse that no venues are available. Therefore, I would like to make use of this opportunity to

condemn the CityU for ignoring the right and opportunity of front-line social welfare workers to pursue further education.

Therefore, President, at present, there are a few questions about universities that the Government must pay attention to. First, students have to bear financial pressure. Many grass-roots students have to take out loans in order to complete or continue their study. They have to borrow money from the Student Financial Assistance Agency, and they cannot borrow much money. From what I learn from some surveys, currently only 30% of students can obtain subsidy through the Student Financial Assistance Agency. There are 79 000 eligible students, but only about 29 000 applications have been approved, and the average amount of subsidy is just \$44,000, while the amount of grant is \$35,000. The former is the average amount of subsidies, and the latter \$35,000 is the average amount of grant. In addition, the average amount of loans released is only \$28,000. Due to inadequate subsidy, many students have to do part-time jobs, trying to continue their studies by various means. Furthermore, those students who take out loans have to face great pressure of repayment after completing their programmes.

The second problem is about the ever increasing ratio of Mainland students taking up graduate places. In the year 1996-1997, the proportion of Mainland students was 22%. Secretary, it was only 22%. By the year 2011-2012, the proportion of Mainland students taking up graduate places was 65.6%. Of the 6 530 places, Mainland students took up 4 290. Now students of the graduate schools of local universities are no longer people of Hong Kong. Most of the graduate school places have been taken up by Mainland students. I think the problem is extremely serious. Now Hong Kong looks like serving the Mainland. Politically it is already serving the Mainland. Members of this Chamber are serving the Mainland. Even the universities (*The buzzer sounded*) ..... The money belongs to the people of Hong Kong.

**PRESIDENT** (in Cantonese): Does any other Member wish to speak?

(No Member indicated a wish to speak)

**PRESIDENT** (in Cantonese): Mrs Regina IP, you may now speak on the nine amendments. You may speak for up to five minutes.

**MRS REGINA IP** (in Cantonese): First of all, I have to declare now as I have not done so earlier. I am a member of the management committee of a Direct Subsidy Scheme secondary school in Sham Shui Po.

I thank the nine Members who have moved amendments to my motion. A total of 26 Members have spoken and I have benefited much after listening to them. However, I would like to point out that Mr Christopher CHUNG seems to have mistaken my motion. My motion does not advocate driving away Mainland students who intend to come to study in Hong Kong. I welcome Mainland or overseas students to come to study in universities in Hong Kong. But the problem is, as we do not even have sufficient hostel places, do we really have the objective conditions to develop into a regional education hub? There are insufficient hostel places, and with more students coming, the problem of insufficient classrooms and other facilities will aggravate.

Many colleagues mentioned about the United States, Canada and Australia when they talked about the industrialization of education. As we all know, these countries, Australia and Canada in particular, earn large amounts of foreign exchange by recruiting foreign students. However, do not forget that these countries are vast in territory and rich in resources, and there are sufficient publicly-funded university places for local students; whereas in Hong Kong, the local demand still cannot be met, and many students find "no accommodation" in any education institutions. I do not think that we should use our precious resources, in particular, land resources, to solicit universities or international secondary schools that do not have high ranking or good quality .....

**PRESIDENT** (in Cantonese): Mrs Regina IP, please speak on the amendments.

**MRS REGINA IP** (in Cantonese): ..... to set up branches in Hong Kong. Regarding the amendments moved by Honourable colleagues, I do not agree to Mr Gary FAN's proposal to restore the ceiling of non-local student enrolment to the pre-2008 level of 10% because I support the recruitment of Mainland and international students but we should first set a ratio and priority should be given



to local students. I consider reducing the ratio from the current 20% to 10% is a regression.

As regards Dr Fernando CHEUNG's proposal "to immediately halt the University Grants Committee (UGC)'s Competitive Allocation mechanism", I have asked the Education Bureau and learnt that the "Competitive Allocation mechanism" only means the UGC withholding 6% of the allocated places to ensure the overall competitiveness of various universities. Perhaps Secretary Eddie NG should tell us the advantage of this mechanism in his response later on. I agree that this mechanism can be reviewed but I object halting it immediately.

I accept most of the amendments proposed by the Honourable colleagues and I thank them for enriching my motion. In fact, education is a wide topic and industrialization of education has given rise to many problems which cannot be covered in 15 minutes. What we talk about today is only the tip of the iceberg. I have some opinions about some Members' amendments, such as the one proposed by Mr IP Kin-yuen. I thank Mr IP Kin-yuen for his speech, I agree to many of his points and I also thank him for his amendment. However, as regards point 6 of his amendment concerning "to enhance the democratization of university governance, and set up an independent inter-institutional appeal mechanism", it is an "old chestnut" which we had discussed many times during the last legislative term, but we had not come to any conclusion. The topic for discussion is the industrialization of education, but Mr IP has taken the chance to express his view on the independent inter-institutional appeal mechanism again, which is like "hijacking" my motion and hence I will not give it my support.

I accept the amendments of other Members, except the proposal in Mr Charles Peter MOK's amendment concerning asking the Government to expeditiously put up the Queen's Hill site for qualified sponsoring bodies to apply for establishment of tertiary institutions. I have considerable reservation about this proposal. Although it is not absolutely necessary to use the land for the construction of public housing, land is a very precious resource and we should not grant this precious land to universities of very low or even no ranking at all to establish a branch in Hong Kong to recruit students. Also, it may recruit many Mainland students, aggravating the conflicts between China and Hong Kong in the North District, which I think is very unwise to do so.

I so submit, thank you, President.

**SECRETARY FOR EDUCATION** (in Cantonese): President, first of all, I would like to thank Mrs Regina IP for moving this motion, the other nine Members for proposing their amendments and the 26 Members who gave their speeches. I will now give a consolidated response to Members' views in different aspects.

In order to cope with the effects and challenges brought by globalization and the development of a knowledge-based economy, our education policies must be devised to foster students' adaptability, creativity, independent thinking and life-long learning capabilities, with the major objective of "enabling students to well equip themselves and achieve their full potential". To this end, the Education Bureau has implemented the New Academic Structure (NAS) since 2009. Under the NAS, which introduces a broad and balanced curriculum, students with different abilities, interests and aptitudes are allowed to give full play to their talents in different fields. The NAS curriculum emphasizes critical thinking from multiple perspectives and encourages students' social and global awareness so as to develop their sense of morality and commitment to their families and bolster their courage to take up the responsibility as world citizens.

A number of Members have suggested increasing the number of post-secondary places. As I have stated earlier, the Government is committed to providing quality, flexible and diversified study pathways with multiple entry and exit points for young people. We follow a two-pronged strategy to promote the parallel development of publicly-funded and self-financing institutions. Starting from this academic year, we have increased the number of first-year-first-degree places funded by the University Grants Committee (UGC) to 15 000 per annum. Moreover, we have increased the number of senior year undergraduate places funded by the UGC to 8 000 a year, that is, around 4 000 intakes, by phases to provide outstanding sub-degree graduates with more opportunities. As for self-financing top-up degree programmes, the number of intake places has been increased to 6 500 in this academic year. These programmes do not only provide more choices and opportunities to students, but also closely match the need for the economic development in Hong Kong. In support of the development of industries with competitive edge, a number of institutions, such as The Open University of Hong Kong, are offering programmes on testing and certification, medical services, and cultural and creative industries. On our part, we will continue to enhance the recognition of sub-degree programmes.

Our goal is that by 2015, over one third of our young people in the relevant age cohort will have access to degree programmes, and more than two thirds of our young people will receive post-secondary education if the post-secondary places just mentioned by Ms Cyd HO are taken into account. This is what we plan to achieve.

As the Government attaches great importance to education quality, we have developed various stringent quality assurance mechanisms and monitoring measures, including: requiring all local post-secondary programmes to be validated by relevant quality assurance agencies; developing common descriptors for Associate Degree and Higher Diploma programmes in respect of their programme structures, entry requirements, exit qualifications, and so on, for institutions and quality assurance agencies to follow; and preparing "Good Practices in Quality Assurance: A Handbook for the Sub-degree Sector" to provide institutions with a somewhat comprehensive reference. In order to further enhance these quality assurance mechanisms, we accepted the UGC's recommendations in its Report on Higher Education Review 2010 and will explore the possibility of eventually setting up a single quality assurance body. Meanwhile, we have implemented the following incremental steps:

- (i) transforming the Tripartite Liaison Committee (comprising the Education Bureau, the Hong Kong Council for Accreditation of Academic and Vocational Qualifications (HKCAAVQ) and the Joint Quality Review Committee) by engaging the Quality Assurance Council to form the Liaison Committee on Quality Assurance. This Committee aims at promoting good practices among all quality assurance agencies so as to enhance consistency and transparency, improving public accountability; and
- (ii) as stated in our response to the UGC's Report on Higher Education Review, the Government considers that periodic external audits and reviews should be conducted on community colleges and self-financing sub-degree operations under the aegis of UGC-funded institutions so as to enhance quality assurance and ensure consistency and coherence in standards. To this end, the Government stipulated under the Sixth Matching Grant Scheme (MGS) launched in August this year that UGC-funded institutions would need to undertake that their sub-degree operations benefiting

from the MGS should be subject to periodic quality audits by the HKCAAVQ in future. UGC-funded institutions participating in the latest round of Start-up Loan Scheme for self-financing institutions launched in October this year and the Quality Enhancement Support Scheme in November are also required to make a similar undertaking.

Besides, the Government keeps on investing heavily to enhance the quality of post-secondary education. After the implementation of NAS in the senior secondary sector, the UGC have substantially increased its recurrent grants to various institutions by \$3 billion to around \$14 billion a year. The Government has also provided the self-financing post-secondary education sector with a basket of support measures, including offering land at nominal premium under the Land Grant Scheme for institutions to build their own school premises. Moreover, the Government has introduced the Start-up Loan Scheme to provide interest-free loans for building school premises or improving teaching environment and facilities. Furthermore, we have established the \$3.5 billion Self-financing Post-secondary Education Fund to provide scholarships to students taking self-financing sub-degree and degree programmes, step up quality assurance efforts, support institutions in quality enhancement, and fund initiatives aiming at improving the quality of self-financing post-secondary education. This year, the Government has also allocated \$2.5 billion to launch the sixth round of MGS in order to support the development of publicly-funded and self-financing post-secondary institutions.

Here, I would like to highlight that self-financing post-secondary institutions are non-profit making. Their surpluses will be kept in their reserves and ploughed back to, among others, teaching and learning activities, curriculum development and students scholarships to benefit students. When setting their fee levels, many institutions will adopt a prudent approach and plan on the basis of a balanced budget. In the case of programmes with longer duration, institutions are obliged to take a view of the financial viability and sustainability of such programmes, as well as whether they are in line with the strategic development of the institutions. We agree that, in order to cater for possible year-on-year uncertainties, institutions should maintain an adequate level of reserve as buffer to sustain the healthy operation of their programmes and protect the interests of their teaching staff and students. On 20 April this year, the Panel on Education held a meeting to discuss this issue. On that day, we particularly

emphasized that the UGC-funded institutions and self-financing institutions were non-profit making; any surplus in a year would be ploughed back in support of teaching and learning activities. This principle that I have just read out is what we have long adhered to. Therefore, while Members have expressed their concern in the previous discussion as to whether these institutions will take profit-making as their major objective, I must point out that we have got an underlying principle to address this issue.

In addition, the Government has established the Committee on Self-financing Post-secondary Education this year to provide the self-financing post-secondary education sector with a special platform to discuss their macro and strategic issues, formulate and promote good practices, and advise the Secretary for Education on their development. Today, Members have provided a multitude of valuable views. I will consolidate them for the Committee to have a thorough discussion at their meetings.

Some Members have given views on the functions and composition of the UGC. The UGC acts as a buffer between institutions on one side and the community and the Government on the other side to safeguard academic freedom and institutional autonomy. It also has the function of ensuring that institutions are held socially responsible and that public money is well spent. When the UGC discharges its duties, members of the UGC have to exercise their wholesome judgment to balance views among different stakeholders. Presently, the UGC is comprised of 20 members, among them 60% are scholars; others are outstanding community leaders in Hong Kong. Non-local scholars bring to the UGC an international perspective and give views as independents. They help us identify worldwide trends and maintain the international competitiveness of Hong Kong's higher education sector. As all UGC members are appointed *ad personam*, their independence is beyond doubt. In our view, the existing structure, composition and operation of the UGC can serve the needs and long-term interests of the local tertiary education, bringing a positive impact on the development of local institutions.

Then, I would like to respond to the suggestion of setting up an independent inter-institutional appeal mechanism as raised by a Member just now. In fact, the UGC has already prepared the guidelines of best practices in teaching staff redress mechanisms for institutions to serve as references. In the guidelines, there are a number of specific recommendations covering issues like

staffing arrangements under the mechanisms, stipulating the time limits for handling grievances, guarding against retaliation, and the involvement of external parties in the final level of appeal. We note that most of the institutions have already completed the reviews of their grievance procedures and adopted the UGC's specific recommendations.

We are pleased to note that some Members give their support to the strengthening of the internationalization of post-secondary education, which is an important issue. As Hong Kong is the cosmopolitan city in Asia, our talents must have an international perspective and the ability to communicate with people from different cultural backgrounds. Therefore, the internationalization of tertiary education is an integral part of the enhancement of local talents. It will make the campus more international, facilitating local students to know more about different cultures and adapt to a multi-cultural environment.

A Member has just suggested that the ceiling of non-local student enrolment in UGC-funded programmes should be restored to the pre-2008 level, that is, 10% of the approved student numbers for these programmes. I must point out that in the course of internationalization, we will well cater for the needs of local students. Under the existing policy, UGC-funded institutions may admit non-local students to their sub-degree, degree and taught postgraduate programmes up to a level not exceeding 20% of the approved student number targets for these programmes. Yet, I must highlight that non-local students are primarily admitted by over-enrolment on top of the approved student number targets. Therefore, they will not directly compete with local students. As for the self-financing sector, locally-accredited self-financing sub-degree and degree programmes are mainly offered to local students for their further pursuance of studies. In the 2011-2012 academic year, non-local students constituted less than 2% of the total intake of these programmes. Please allow me to repeat once again: The percentage is less than 2%. Regarding research programmes, institutions admit students on a merit basis, taking into account students' academic results, research capability, and so on, but not their places of origin. In this academic year, about 25% of local students applying for UGC-funded research programmes were admitted by various institutions, whilst about 9% of non-local applicants were admitted. It proves that the admission of non-local students has not reduced the chance for local students to be admitted to research programmes. Therefore, I think it will be a regression on our way to internationalization if we reduce the number of non-local post-secondary

students. I am also glad to hear that some other Members support the policy of further internationalizing our post-secondary institutions.

In recent years, the proportion of non-local students from other countries is on the rise. In the last academic year, there were students from over 70 countries and regions attending post-secondary programmes in Hong Kong. It shows that the geographical origins of our students are very diverse. Moreover, institutions are active in promoting exchange activities. Over the past five years, the number of participating students has increased by more than 50%. One out of around every six students has participated in exchange activities at school. In the last academic year, there were 4 400 incoming exchange students in the UGC-funded sector, with students from Asia, Europe and America each constituting about one third of this number. In the same period, there were more than 4 200 outgoing students. These exchange activities do not only broaden the horizons of the outgoing students but also internationalize local campuses by bringing in more non-local students. It is good for local students.

Also, some Members have suggested assisting poor students to pursue further studies. At present, the Government has established a number of student finance schemes to ensure that no student will be deprived of education due to the lack of means. I emphasize once again: The policy objective is to ensure that no student will be deprived of education due to the lack of means. Our student finance schemes include the means-tested Tertiary Student Finance Scheme — Publicly-funded Programmes and the Financial Assistance Scheme for Post-secondary Students, which subsidize poor local students to meet their tuition fees, academic expenses and living expenses.

In the 2011-2012 academic year, the Government had implemented a series of measures to improve the means-tested finance schemes. With the implementation of these improvement measures, the percentage of post-secondary students receiving full level of assistance had increased from 37% to 62%, and the grant received by each post-secondary student had generally increased by almost 20%. In this academic year, the Government has also introduced a series of measures to improve the Financial Assistance Scheme for Post-secondary Students to increase the assistance offered to students of self-financing post-secondary programmes. Furthermore, in order to relieve the repayment burden of student loan borrowers, the Government completed a review of this Scheme in 2012 and adjusted the interest rate and repayment period. The

annual interest rate under this means-tested loan scheme was lowered from 2.5% to 1%, and the standard repayment period was extended from five years to 15 years. For the median loan amount of \$40,110, the monthly repayment amount will be significantly reduced by 66% from \$713 to \$240. This measure has benefited about 73 000 students.

Regarding the heavy loan repayment burden borne by graduates, a concern just raised by Members, I would like to share with you some relevant figures. Among the various loan schemes for tertiary students, the median loan amount for graduates is less than \$45,000. Another point that I want to share with you is about the number of students receiving financial assistance under the self-financing post-secondary programmes. Grants were disbursed to a total of some 22 000 students, which accounted for about 32% of the total number of students; 3% received loans and 12% received non-means-tested loans. Therefore, students receiving loans are fewer than those receiving grants. For publicly-funded post-secondary programmes, grants were provided to 33% of students, 11% received loans and 7% received non-means-tested loans.

I would also like to talk about the Members' request for more government support on research. As a matter of fact, one fourth of the annual block grant of about \$14 billion provided by the UGC to various institutions is allocated for research purpose. On the other hand, the Government set up an \$18 billion Research Endowment Fund in 2009 and injected another \$5 billion into the Fund at the beginning of this year to provide long-term and stable funding to both publicly-funded and self-financing tertiary institutions. Under the Research Endowment Fund, the investment return of \$4 billion is used to fund theme-based researches so that institutions may work on long-term research proposals which are strategically beneficial to the development of Hong Kong. Apart from this, the UGC has launched the Areas of Excellence Scheme to support our institutions in maintaining the status of world leader in areas with competitive edge. Moreover, the UGC supports the transfer of knowledge from higher education institutions to society for the sake of bringing economic or social improvements. It has earmarked an annual provision of \$52.8 million for institutions to enhance their knowledge transfer in the three years between 2012-2013 and 2014-2015.

Furthermore, we have kept on improving the funding mechanism of the Innovation and Technology Fund to facilitate the realization and commercialization of research and development (R&D) achievements in Hong



Kong. We have increased the level of cash rebate under the Research and Development Cash Rebate Scheme from 10% to 30% since February 2012 to encourage various industries to work with local universities and research institutions in applied research. On the other hand, local universities actively foster their co-operation with the Mainland by, say, signing co-operation agreements and exchanging talents. Research bases of different sizes have already been set up in places like Shenzhen and Nansha, Guangzhou, to foster the Industry-University-Research co-operation between Hong Kong and the Mainland. With these facilities in place, it is now easier for local academics to capitalize the R&D resources in the Mainland.

Regarding Members' concerns on the development of international schools, the Government has put in much effort to introduce relevant measures. For example, land is allocated for developing international schools. Members, as you know, there is a demand for international schools in society. We have to meet the needs of local and overseas families living in Hong Kong, as well as the demand for school places from families moved to Hong Kong for work or investment. Before allocating land to international schools, we will first take a view of the demand and supply of public schools. After that, we will consider allocating land or vacant school premises to qualified school sponsoring bodies through an open mechanism so as to develop international schools. Yet, for international schools operating at the allocated land and their school sponsoring bodies, they must be exempt from tax under section 88 of the Inland Revenue Ordinance (Cap. 112). They are required to provide tax exemption proofs before the Government allows them to rent government land by way of private treaty and in nominal rent.

International schools mainly operate on the market-led principle and most of them do not receive any aid from the Government. Some of the international schools have introduced different schemes to raise funds for their long-term development and improvement of school facilities. The education authorities always require school sponsoring bodies to consult parents and all other stakeholders before introducing these schemes, and give a clear account on the justifications for introducing debenture schemes and their specific arrangements, including the transfer and redemption policies, so as to seek consensus among all parties. We also encourage schools to offer scholarships and introduce different financial assistance schemes to give relief to families in need. Above all, regardless of the value of debentures bought, the children of such debenture

holders will not be admitted unless they pass the interviews or meet the relevant academic requirements.

Lastly, I would like to give my sincere thanks to Members for their views on enhancing education quality. We will continue to promote the internationalization and diversification of post-secondary education. It is particularly important to provide quality education for the good of Hong Kong's future development. I would like to thank all Members again for their views. Thank you, President.

**PRESIDENT** (in Cantonese): I now call upon Dr Fernando CHEUNG to move the amendment to the motion.

**DR FERNANDO CHEUNG** (in Cantonese): President, I move that Mrs Regina IP's motion be amended.

**Dr Fernando CHEUNG moved the following amendment: (Translation)**

"To delete ", as" after "That"; to delete "profit-making has consequently become" after "develop education services," and substitute with "private universities and self-financing tertiary programmes, shirking the education responsibility to families and individuals, and consequently rendering profit-making as"; to add "and even aggravating the burden on grass-root students" after "a number of tertiary institutions"; to delete "," after "sociability and aesthetics" and substitute with "; fully cultivating and developing personal potentials through the growth in vision, knowledge and skills; manifesting, inheriting and transmitting fundamental social values; nurturing citizens of the future who have free and independent personality, care for the community and embrace the world; and"; to add "(3) to set up an independent monitoring mechanism for regulating self-financing degree and sub-degree programmes; (4) to increase the numbers of subsidized degree places and subsidized top-up degree places; (5) to immediately halt the University Grants Committee(UGC)'s Competitive Allocation mechanism and allow tertiary institutions to decide on their own arrangements for allocation of places; (6) to reform the composition of UGC by introducing elected representatives of local teaching staff and students; (7) to assist students

with disabilities and ethnic minority students in admitting to institutions of higher education, and encourage various tertiary institutions to set up a dedicated mechanism for providing them with appropriate support;" after "as far as possible;"; to delete the original "(3)" and substitute with "(8)"; to delete the original "(4)" and substitute with "(9)"; to delete "(5)" after "Hong Kong; and" and substitute with "(10)"; and to add "increase research funding and" after "advanced countries, to".

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Dr Fernando CHEUNG to Mrs Regina IP's motion, be passed.

**PRESIDENT** (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

**PRESIDENT** (in Cantonese): Those against please raise their hands.

(Members raised their hands)

Mr Tommy CHEUNG rose to claim a division.

**PRESIDENT** (in Cantonese): Mr Tommy CHEUNG has claimed a division. The division bell will ring for five minutes.

**PRESIDENT** (in Cantonese): Will Members please proceed to vote.

**PRESIDENT** (in Cantonese): Will Members please check their votes. If there are no queries, voting shall stop now and the result will be displayed.

Functional Constituencies:

Mr Albert HO, Dr LEUNG Ka-lau, Mr CHEUNG Kwok-che, Mr Charles Peter MOK, Mr Kenneth LEUNG, Mr Dennis KWOK and Mr IP Kin-yuen voted for the amendment.

Mr Tommy CHEUNG, Mr Jeffrey LAM, Mr Andrew LEUNG, Mr WONG Ting-kwong, Ms Starry LEE, Mr CHAN Kin-por, Mr IP Kwok-him, Mr Steven HO, Mr Frankie YICK, Mr Christopher CHEUNG and Ir Dr LO Wai-kwok voted against the amendment.

Mr MA Fung-kwok, Mr KWOK Wai-keung, Mr Martin LIAO, Mr POON Siu-ping and Mr TANG Ka-piu abstained.

Geographical Constituencies:

Mr LEE Cheuk-yan, Mr Ronny TONG, Ms Cyd HO, Mr Albert CHAN, Ms Claudia MO, Mr Gary FAN, Mr CHAN Chi-chuen, Dr KWOK Ka-ki, Dr Fernando CHEUNG and Dr Helena WONG voted for the amendment.

Mr CHAN Kam-lam, Mr CHAN Hak-kan, Dr Priscilla LEUNG, Mrs Regina IP and Dr CHIANG Lai-wan voted against the amendment.

Mr WONG Kwok-hing and Mr Paul TSE abstained.

THE PRESIDENT, Mr Jasper TSANG, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 23 were present, seven were in favour of the amendment, 11 against it and five abstained; while among the Members returned by geographical constituencies through direct elections, 18 were present, 10 were in favour of the

amendment, five against it and two abstained. Since the question was not agreed by a majority of each of the two groups of Members present, he therefore declared that the amendment was negatived.

**MR ANDREW LEUNG** (in Cantonese): President, I move that in the event of further divisions being claimed in respect of the motion on "Reviving the quality of local education and stopping the blind industrialization of education" or any amendments thereto, this Council do proceed to each of such divisions immediately after the division bell has been rung for one minute.

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr Andrew LEUNG be passed.

**PRESIDENT** (in Cantonese): Does any Member wish to speak?

(No Member indicated a wish to speak)

**PRESIDENT** (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

**PRESIDENT** (in Cantonese): Those against please raise their hands.

(No hands raised)

**PRESIDENT** (in Cantonese): I think the question is agreed by a majority respectively of each of the two groups of Members, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections, who are present. I declare the motion passed.

I order that in the event of further divisions being claimed in respect of the motion on "Reviving the quality of local education and stopping the blind industrialization of education" or any amendments thereto, this Council do proceed to each of such divisions immediately after the division bell has been rung for one minute.

**PRESIDENT** (in Cantonese): Ms Claudia MO, you may move your amendment.

**MS CLAUDIA MO** (in Cantonese): President, I move that Mrs Regina IP's motion be amended.

**Ms Claudia MO moved the following amendment: (Translation)**

"To delete "as" after "That," and substitute with "since"; to delete "consequently" after "profit-making has"; to delete "and" after "teaching in Hong Kong;"; and to add "; and (6) to enhance the English proficiency of university students, allocate more resources for training local English language teachers, and raise the admission percentage of overseas students, so as to ensure that local universities achieve genuine "internationalization", in contrast to the current situation where over 80% of the non-local students admitted to programmes funded by the University Grants Committee come from Mainland China" immediately before the full stop."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Ms Claudia MO to Mrs Regina IP's motion, be passed.

**PRESIDENT** (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

**PRESIDENT** (in Cantonese): Those against please raise their hands.

(Members raised their hands)

Mr CHAN Kam-lam rose to claim a division.

**PRESIDENT** (in Cantonese): Mr CHAN Kam-lam has claimed a division. The division bell will ring for one minute.

**PRESIDENT** (in Cantonese): Will Members please proceed to vote.

**PRESIDENT** (in Cantonese): Will Members please check their votes. If there are no queries, voting shall now stop and the result will be displayed.

Functional Constituencies:

Mr Albert HO, Mr Tommy CHEUNG, Mr CHAN Kin-por, Dr LEUNG Ka-lau, Mr CHEUNG Kwok-che, Mr Frankie YICK, Mr MA Fung-kwok, Mr Charles Peter MOK, Mr Kenneth LEUNG, Mr Dennis KWOK, Mr IP Kin-yuen, Mr Martin LIAO and Mr POON Siu-ping voted for the amendment.

Mr Jeffrey LAM, Mr Andrew LEUNG, Mr Christopher CHEUNG and Ir Dr LO Wai-kwok voted against the amendment.

Mr WONG Ting-kwong, Ms Starry LEE, Mr IP Kwok-him, Mr Steven HO, Mr KWOK Wai-keung and Mr TANG Ka-piu abstained.

Geographical Constituencies:

Mr LEE Cheuk-yan, Mr Ronny TONG, Ms Cyd HO, Mrs Regina IP, Mr Paul TSE, Mr LEUNG Kwok-hung, Mr Albert CHAN, Ms Claudia MO, Mr Gary FAN, Mr CHAN Chi-chuen, Dr KWOK Ka-ki, Dr Fernando CHEUNG, Mr SIN Chung-kai and Dr Helena WONG voted for the amendment.

Dr Priscilla LEUNG voted against the amendment.

Mr CHAN Kam-lam, Mr WONG Kwok-hing, Mr CHAN Hak-kan, Dr CHIANG Lai-wan and Mr Christopher CHUNG abstained.

THE PRESIDENT, Mr Jasper TSANG, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 23 were present, 13 were in favour of the amendment, four against it and six abstained; while among the Members returned by geographical constituencies through direct elections, 21 were present, 14 were in favour of the amendment, one against it and five abstained. Since the question was agreed by a majority of each of the two groups of Members present, he therefore declared that the amendment was passed.

**PRESIDENT** (in Cantonese): Ms Starry LEE, as Ms Claudia MO's amendment has been passed, you may now move your revised amendment.

**MS STARRY LEE** (in Cantonese): President, I now .....

**PRESIDENT** (in Cantonese): We are now referring to Page 18 of the Script.

**MS STARRY LEE** (in Cantonese): Page 18.

President, I move that Mrs Regina IP's motion as amended by Ms Claudia MO be further amended by my revised amendment.

**Ms Starry LEE moved the following further amendment to the motion as amended by Ms Claudia MO: (Translation)**

"To add "; (7) to ensure the provision of adequate educational resources for providing local youngsters with adequate degree and sub-degree places,



and to conduct a study on offering subsidies in the form of education vouchers or direct subsidies to sub-degree graduates for enrolling on self-financing degree programmes; (8) to enhance the recognition of self-financing degree and sub-degree programmes by the Hong Kong community and overseas universities, so as to increase graduates' opportunities for securing employment and pursuing further studies; (9) to assist Hong Kong sub-degree graduates in pursuing studies in Mainland universities, including studying the establishment of a mutual recognition mechanism between Hong Kong sub-degree qualifications and Mainland tertiary diploma qualifications, and strive for the exemption of sub-degree graduates from sitting the Joint Entrance Examination for Universities in the People's Republic of China for Overseas Chinese, Hong Kong, Macao and Taiwan Students, so as to promote exchanges between Hong Kong and Mainland students; and (10) to allocate more land to ensure that institutions provide adequate hostel places for meeting the accommodation demands of local and non-local students" immediately before the full stop."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That Ms Starry LEE's amendment to Mrs Regina IP's motion as amended by Ms Claudia MO be passed.

**PRESIDENT** (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

**PRESIDENT** (in Cantonese): Those against please raise their hands.

(Members raised their hands)

Mr Albert CHAN rose to claim a division.

**PRESIDENT** (in Cantonese): Mr Albert CHAN has claimed a division. The division bell will ring for one minute.

**PRESIDENT** (in Cantonese): Will Members please proceed to vote.

**PRESIDENT** (in Cantonese): Will Members please check their votes. If there are no queries, voting shall now stop and the result will be displayed.

Functional Constituencies:

Mr Tommy CHEUNG, Mr WONG Ting-kwong, Ms Starry LEE, Mr CHAN Kin-por, Dr LEUNG Ka-lau, Mr IP Kwok-him, Mr Steven HO, Mr Frankie YICK, Mr MA Fung-kwok, Mr Charles Peter MOK, Mr KWOK Wai-keung, Mr Martin LIAO, Mr POON Siu-ping and Mr TANG Ka-piu voted for the amendment.

Mr CHEUNG Kwok-che voted against the amendment.

Mr Albert HO, Mr Jeffrey LAM, Mr Andrew LEUNG, Mr Kenneth LEUNG, Mr Dennis KWOK, Mr Christopher CHEUNG, Mr IP Kin-yuen and Ir Dr LO Wai-kwok abstained.

Geographical Constituencies:

Mr CHAN Kam-lam, Mr WONG Kwok-hing, Mr CHAN Hak-kan, Dr Priscilla LEUNG, Mrs Regina IP, Mr Paul TSE, Mr LEUNG Kwok-hung, Mr Gary FAN, Dr CHIANG Lai-wan and Mr Christopher CHUNG voted for the amendment.

Mr LEE Cheuk-yan, Ms Cyd HO, Mr Albert CHAN, Mr CHAN Chi-chuen and Dr Fernando CHEUNG voted against the amendment.

Mr Ronny TONG, Ms Claudia MO, Dr KWOK Ka-ki, Mr SIN Chung-kai and Dr Helena WONG abstained.

THE PRESIDENT, Mr Jasper TSANG, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 23 were present, 14 were in favour of the amendment, one against it and eight abstained; while among the Members returned by geographical constituencies through direct elections, 21 were present, 10 were in favour of the amendment, five against it and five abstained. Since the question was not agreed by a majority of each of the two groups of Members present, he therefore declared that the amendment was negatived.

**PRESIDENT** (in Cantonese): Mr Gary FAN, as the amendment of Ms Claudia MO has been passed, you may now move your revised amendment.

**MR GARY FAN** (in Cantonese): President, I move that Mrs Regina IP's motion as amended by Ms Claudia MO be further amended by my revised amendment.

**Mr Gary FAN moved the following further amendment to the motion as amended by Ms Claudia MO: (Translation)**

"To add "; (7) to restore the ceiling of non-local student enrollment in the associate degree, degree and taught postgraduate programmes offered by institutions funded by the University Grants Committee ('UGC') to the pre-2008 level of 10% of the approved UGC-funded student number for such programmes; (8) to avoid various institutions blindly competing for entering the Mainland to set up branch campuses, to ensure that given equal academic qualifications, various institutions should treat local and non-local academics fairly and equally in respect of recruitment, and to stop institutions from discriminating against local academics in areas such as teaching ranks, post titles, employment conditions, remuneration packages and the right to participate in the governance structure, etc.; (9) to allocate more resources for supporting various institutions in developing disciplines such as arts, pure science, fine arts and social science, etc., which lack the ability to attract research funding from the market, to avoid the lopsided development of university education towards the market as well as industrial and commercial services and to

maintain the balance between humanistic quality and knowledge and pluralism in society; and (10) to enhance the monitoring of fee charging by post-secondary colleges and private universities to avoid any unreasonable and unfair fee charging, and to set up a mechanism for handling complaints about fee charging and arbitration, so as to protect students' rights and interests" immediately before the full stop."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That Mr Gary FAN's amendment to Mrs Regina IP's motion as amended by Ms Claudia MO be passed.

**PRESIDENT** (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

**PRESIDENT** (in Cantonese): Those against please raise their hands.

(Members raised their hands)

Mr IP Kwok-him rose to claim a division.

**PRESIDENT** (in Cantonese): Mr IP Kwok-him has claimed a division. The division bell will ring for one minute.

**PRESIDENT** (in Cantonese): Will Members please proceed to vote.

**PRESIDENT** (in Cantonese): Will Members please check their votes. If there are no queries, voting shall now stop and the result will be displayed.

Functional Constituencies:

Mr Tommy CHEUNG, Mr CHEUNG Kwok-che, Mr Frankie YICK, Mr Charles Peter MOK, Mr Kenneth LEUNG and Mr Dennis KWOK voted for the amendment.

Mr WONG Ting-kwong, Ms Starry LEE, Mr CHAN Kin-por, Dr LEUNG Ka-lau, Mr IP Kwok-him, Mr Steven HO and Mr Martin LIAO voted against the amendment.

Mr Albert HO, Mr Jeffrey LAM, Mr Andrew LEUNG, Mr MA Fung-kwok, Mr KWOK Wai-keung, Mr Christopher CHEUNG, Mr IP Kin-yuen, Mr POON Siu-ping, Mr TANG Ka-piu and Ir Dr LO Wai-kwok abstained.

Geographical Constituencies:

Mr LEE Cheuk-yan, Mr Ronny TONG, Ms Cyd HO, Mr LEUNG Kwok-hung, Mr Albert CHAN, Ms Claudia MO, Mr Gary FAN, Mr CHAN Chi-chuen, Dr KWOK Ka-ki and Dr Fernando CHEUNG voted for the amendment.

Mr CHAN Kam-lam, Mr CHAN Hak-kan, Mrs Regina IP, Dr CHIANG Lai-wan and Mr Christopher CHUNG voted against the amendment.

Mr WONG Kwok-hing, Dr Priscilla LEUNG, Mr Paul TSE, Mr SIN Chung-kai and Dr Helena WONG abstained.

THE PRESIDENT, Mr Jasper TSANG, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 23 were present, six were in favour of the amendment, seven against it and 10 abstained; while among the Members returned by geographical

constituencies through direct elections, 21 were present, 10 were in favour of the amendment, five against it and five abstained. Since the question was not agreed by a majority of each of the two groups of Members present, he therefore declared that the amendment was negated.

**PRESIDENT** (in Cantonese): Dr Helena WONG, as the amendment of Ms Claudia MO has been passed, you may now move your revised amendment.

**DR HELENA WONG** (in Cantonese): President, I move that Mrs Regina IP's motion as amended by Ms Claudia MO be further amended by my revised amendment.

**Dr Helena WONG moved the following further amendment to the motion as amended by Ms Claudia MO: (Translation)**

"To add "; (7) to encourage institutions to increase and develop humanities subjects and implement liberal arts education; (8) to review the policy direction of sub-degree programmes and conduct a study on providing more subsidies to associate degree students for offering education opportunities to all persons who have an aspiration to learn and to obtain grants and scholarships through different channels, so as to encourage them to pursue studies from which no economic burden will arise; and to design associate degree programmes conducive to career development and ensure programme quality, so as to effectively enhance graduates' competitiveness and enable associate degree graduates failing to enroll in undergraduate programmes to have clear career prospects; and (9) to review the number and percentage of non-local students enrolling in research postgraduate programmes offered by local funded-institutions, and to reserve a sufficient number of postgraduate programme places in graduate schools for local university undergraduates, so as to provide opportunities to students who have an aspiration to pursue further studies and nurture local academic research talents" immediately before the full stop."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That Dr Helena WONG's amendment to Mrs Regina IP's motion as amended by Ms Claudia MO be passed.

**PRESIDENT** (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

**PRESIDENT** (in Cantonese): Those against please raise their hands.

(No hands raised)

Dr Helena WONG rose to claim a division.

**PRESIDENT** (in Cantonese): Dr Helena WONG has claimed a division. The division bell will ring for one minute.

**PRESIDENT** (in Cantonese): Will Members please proceed to vote.

**PRESIDENT** (in Cantonese): Will Members please check their votes. If there are no queries, voting shall now stop and the result will be displayed.

Functional Constituencies:

Mr Albert HO, Mr Tommy CHEUNG, Mr WONG Ting-kwong, Ms Starry LEE, Mr CHAN Kin-por, Dr LEUNG Ka-lau, Mr CHEUNG Kwok-che, Mr IP Kwok-him, Mr Steven HO, Mr Frankie YICK, Mr Charles Peter MOK, Mr Kenneth LEUNG, Mr KWOK Wai-keung, Mr Dennis KWOK, Mr IP Kin-yuen, Mr Martin LIAO, Mr POON Siu-ping and Mr TANG Ka-piu voted for the amendment.

Mr Jeffrey LAM, Mr Andrew LEUNG, Mr MA Fung-kyok, Mr Christopher CHEUNG and Ir Dr LO Wai-kyok abstained.

Geographical Constituencies:

Mr LEE Cheuk-yan, Mr CHAN Kam-lam, Mr WONG Kwok-hing, Mr Ronny TONG, Ms Cyd HO, Mr CHAN Hak-kan, Dr Priscilla LEUNG, Mrs Regina IP, Mr Paul TSE, Mr LEUNG Kwok-hung, Mr Albert CHAN, Ms Claudia MO, Mr Gary FAN, Mr CHAN Chi-chuen, Dr KWOK Ka-ki, Dr Fernando CHEUNG, Mr SIN Chung-kai, Dr Helena WONG, Dr CHIANG Lai-wan and Mr Christopher CHUNG voted for the amendment.

THE PRESIDENT, Mr Jasper TSANG, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 23 were present, 18 were in favour of the amendment and five abstained; while among the Members returned by geographical constituencies through direct elections, 21 were present and 20 were in favour of the amendment. Since the question was agreed by a majority of each of the two groups of Members present, he therefore declared that the amendment was passed.

**PRESIDENT** (in Cantonese): Mr IP Kin-yuen, as the amendments of Ms Claudia MO and Dr Helena WONG have been passed, you may now move your revised amendment.

**MR IP KIN-YUEN** (in Cantonese): President, I move that Mrs Regina IP's motion as amended by Ms Claudia MO and Dr Helena WONG be further amended by my revised amendment.

**Mr IP Kin-yuen moved the following further amendment to the motion as amended by Ms Claudia MO and Dr Helena WONG: (Translation)**

"To add "; (10) to implement the recommendation in the Report on the Higher Education Review 2010 on the setting up of a single oversight



body for the non-publicly funded part of the post-secondary education system; (11) to review the current situation of Mainland Chinese students accounting for as high as 65% of the student enrollment in research postgraduate programmes heavily-subsidized by public funding amid the shortage of places in the institutions funded by the University Grants Committee; to internationalize the admission of non-local students as much as possible and at the same time, to admit more local students to publicly-funded degree programmes, so as to nurture local young talents; (12) to increase research funding to strengthen research on local issues, so as to make tertiary education and research more diversified; to create an environment conducive to research and teaching, so as to attract first-class local and non-local academics to conduct research or teach in Hong Kong, and at the same time, to strive to nurture local young academics at tertiary institutions; and (13) to enhance the democratization of university governance, and set up an independent inter-institutional appeal mechanism for handling complaints about academic research, contracts and dismissal, etc." immediately before the full stop."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr IP Kin-yuen to Mrs Regina IP's motion as amended by Ms Claudia MO and Dr Helena WONG be passed.

**PRESIDENT** (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

**PRESIDENT** (in Cantonese): Those against please raise their hands.

(Members raised their hands)

Mr IP Kwok-him rose to claim a division.

**PRESIDENT** (in Cantonese): Mr IP Kwok-him has claimed a division. The division bell will ring for one minute.

**PRESIDENT** (in Cantonese): Will Members please proceed to vote.

**PRESIDENT** (in Cantonese): Will Members please check their votes. If there are no queries, voting shall now stop and the result will be displayed.

Functional Constituencies:

Mr Albert HO, Mr Tommy CHEUNG, Mr CHAN Kin-por, Dr LEUNG Ka-lau, Mr CHEUNG Kwok-che, Mr Frankie YICK, Mr MA Fung-kwok, Mr Charles Peter MOK, Mr Kenneth LEUNG, Mr Dennis KWOK, Mr IP Kin-yuen, Mr POON Siu-ping and Mr Tony TSE voted for the amendment.

Mr Jeffrey LAM, Mr Andrew LEUNG, Mr Christopher CHEUNG and Ir Dr LO Wai-kwok voted against the amendment.

Mr WONG Ting-kwong, Ms Starry LEE, Mr IP Kwok-him, Mr Steven HO, Mr KWOK Wai-keung, Mr Martin LIAO and Mr TANG Ka-piu abstained.

Geographical Constituencies:

Mr LEE Cheuk-yan, Mr Ronny TONG, Ms Cyd HO, Dr Priscilla LEUNG, Mr Paul TSE, Mr LEUNG Kwok-hung, Mr Albert CHAN, Ms Claudia MO, Mr Gary FAN, Mr CHAN Chi-chuen, Dr KWOK Ka-ki, Dr Fernando CHEUNG, Mr SIN Chung-kai and Dr Helena WONG voted for the amendment.

Mrs Regina IP voted against the amendment.

Mr CHAN Kam-lam, Mr WONG Kwok-hing, Mr CHAN Hak-kan, Dr CHIANG Lai-wan and Mr Christopher CHUNG abstained.

THE PRESIDENT, Mr Jasper TSANG, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 24 were present, 13 were in favour of the amendment, four against it and seven abstained; while among the Members returned by geographical constituencies through direct elections, 21 were present, 14 were in favour of the amendment, one against it and five abstained. Since the question was agreed by a majority of each of the two groups of Members present, he therefore declared that the amendment was passed.

**PRESIDENT** (in Cantonese): Mr MA Fung-kwok, as the amendments of Ms Claudia MO, Dr Helena WONG and Mr IP Kin-yuen have been passed, you may now move your revised amendment.

**MR MA FUNG-KWOK** (in Cantonese): President, I move that Mrs Regina IP's motion as amended by Ms Claudia MO, Dr Helena WONG and Mr IP Kin-yuen be further amended by my revised amendment.

**Mr MA Fung-kwok moved the following further amendment to the motion as amended by Ms Claudia MO, Dr Helena WONG and Mr IP Kin-yuen:**  
**(Translation)**

"To add "; (14) to review the existing policy on industrialization of education, and further promote it only on the premise of perfecting the various ancillary measures and meeting the needs of local students; (15) to avoid the over-commercialization of tertiary education, and perfect the existing measures to assist students with financial difficulties in admitting to tertiary institutions; (16) to avoid a lopsided admission policy towards overseas students, enhance the transparency of governance of the relevant institutions and make public their accounts for public monitoring; and (17) to increase the number of subsidized tertiary education places, and

formulate a clear and reasonable percentage for overseas students, so as to maintain the educational opportunities for local students meeting the admission requirements amid the internationalization of education" immediately before the full stop."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr MA Fung-kwok to Mrs Regina IP's motion as amended by Ms Claudia MO, Dr Helena WONG and Mr IP Kin-yuen be passed.

**PRESIDENT** (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

**PRESIDENT** (in Cantonese): Those against please raise their hands.

(No hands raised)

**PRESIDENT** (in Cantonese): I think the question is agreed by a majority respectively of each of the two groups of Members, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections, who are present. I declare the amendment passed.

**PRESIDENT** (in Cantonese): Mr Charles Peter MOK, as the amendments of Ms Claudia MO, Dr Helena WONG, Mr IP Kin-yuen and Mr MA Fung-kwok have been passed, you may now move your revised amendment.

**MR CHARLES PETER MOK** (in Cantonese): President, I move that Mrs Regina IP's motion as amended by Ms Claudia MO, Dr Helena WONG, Mr IP Kin-yuen and Mr MA Fung-kwok be further amended by my revised amendment.

**Mr Charles Peter MOK moved the following further amendment to the motion as amended by Ms Claudia MO, Dr Helena WONG, Mr IP Kin-yuen and Mr MA Fung-kwok: (Translation)**

"To add "; (18) on the premise of protecting the autonomy and academic freedom of tertiary institutions, to encourage tertiary institutions to apply to the Hong Kong Council for Accreditation of Academic and Vocational Qualifications for accreditation of the degree programmes they offer, so as to obtain recognition; (19) to expeditiously implement the recommendation put forward in the 2011-2012 Policy Address on putting up the Queen's Hill site for qualified sponsoring bodies to apply for establishment of non-profit-making private tertiary institutions; and (20) to increase the Government's technological research expenditure on applied research, and improve the Research Grants Council's existing university research funding allocation mechanism, which is not conducive to promoting innovation and applied technological research" immediately before the full stop."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr Charles Peter MOK to Mrs Regina IP's motion as amended by Ms Claudia MO, Dr Helena WONG, Mr IP Kin-yuen and Mr MA Fung-kwok be passed.

**PRESIDENT** (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

**PRESIDENT** (in Cantonese): Those against please raise their hands.

(Members raised their hands)

Mrs Regina IP rose to claim a division.

**PRESIDENT** (in Cantonese): Mrs Regina IP has claimed a division. The division bell will ring for one minute.

**PRESIDENT** (in Cantonese): Will Members please proceed to vote.

**PRESIDENT** (in Cantonese): Will Members please check their votes. If there are no queries, voting shall now stop and the result will be displayed.

Functional Constituencies:

Mr Albert HO, Mr Tommy CHEUNG, Dr LEUNG Ka-lau, Mr CHEUNG Kwok-che, Mr Frankie YICK, Mr Charles Peter MOK, Mr Kenneth LEUNG, Mr Dennis KWOK, Mr IP Kin-yuen, Mr Martin LIAO and Mr CHUNG Kwok-pan voted for the amendment.

Mr Jeffrey LAM, Mr Andrew LEUNG, Mr WONG Ting-kwong, Ms Starry LEE, Mr CHAN Kin-por, Mr IP Kwok-him, Mr Steven HO, Mr MA Fung-kwok, Mr KWOK Wai-keung, Mr Christopher CHEUNG, Mr POON Siu-ping, Mr TANG Ka-piu, Ir Dr LO Wai-kwok and Mr Tony TSE abstained.

Geographical Constituencies:

Mr LEE Cheuk-yan, Mr Ronny TONG, Ms Cyd HO, Mr Paul TSE, Mr LEUNG Kwok-hung, Mr Albert CHAN, Ms Claudia MO, Mr Gary FAN, Mr CHAN Chi-chuen, Dr KWOK Ka-ki, Dr Fernando CHEUNG, Mr SIN Chung-kai and Dr Helena WONG voted for the amendment.

Dr Priscilla LEUNG and Mrs Regina IP voted against the amendment.

Mr CHAN Kam-lam, Mr WONG Kwok-hing, Mr CHAN Hak-kan, Dr CHIANG Lai-wan and Mr Christopher CHUNG abstained.

THE PRESIDENT, Mr Jasper TSANG, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 25 were present, 11 were in favour of the amendment and 14 abstained; while among the Members returned by geographical constituencies through direct elections, 21 were present, 13 were in favour of the amendment, two against it and five abstained. Since the question was not agreed by a majority of each of the two groups of Members present, he therefore declared that the amendment was negatived.

**PRESIDENT** (in Cantonese): Mr Paul TSE, as the amendments of Ms Claudia MO, Dr Helena WONG, Mr IP Kin-yuen and Mr MA Fung-kwok have been passed, you may now move your revised amendment.

**MR PAUL TSE** (in Cantonese): President, I move that Mrs Regina IP's motion as amended by Ms Claudia MO, Dr Helena WONG, Mr IP Kin-yuen and Mr MA Fung-kwok be further amended by my revised amendment.

**Mr Paul TSE moved the following further amendment to the motion as amended by Ms Claudia MO, Dr Helena WONG, Mr IP Kin-yuen and Mr MA Fung-kwok: (Translation)**

"To add "; and (18) to review and enhance the regulation of the mode and practices of international schools' issuance and sale of debentures as well as connivance of speculation in such debentures, so as to protect parents' rights and interests" immediately before the full stop."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr Paul TSE to Mrs Regina IP's motion as amended by Ms Claudia MO, Dr Helena WONG, Mr IP Kin-yuen and Mr MA Fung-kwok be passed.

**PRESIDENT** (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

**PRESIDENT** (in Cantonese): Those against please raise their hands.

(No hands raised)

Mr Paul TSE rose to claim a division.

**PRESIDENT** (in Cantonese): Mr Paul TSE has claimed a division. The division bell will ring for one minute.

**PRESIDENT** (in Cantonese): Will Members please proceed to vote.

**PRESIDENT** (in Cantonese): Will Members please check their votes. If there are no queries, voting shall now stop and the result will be displayed.

Functional Constituencies:

Mr Albert HO, Mr Tommy CHEUNG, Mr CHAN Kin-por, Dr LEUNG Ka-lau, Mr CHEUNG Kwok-che, Mr Frankie YICK, Mr MA Fung-kwok, Mr Charles Peter MOK, Mr Kenneth LEUNG, Mr KWOK Wai-keung, Mr Dennis KWOK, Mr IP Kin-yuen, Mr Martin LIAO, Mr POON Siu-ping, Mr TANG Ka-piu, Mr CHUNG Kwok-pan and Mr Tony TSE voted for the amendment.

Mr Jeffrey LAM, Mr Andrew LEUNG, Mr WONG Ting-kwong, Ms Starry LEE, Mr IP Kwok-him, Mr Steven HO, Mr Christopher CHEUNG and Ir Dr LO Wai-kwok abstained.



Geographical Constituencies:

Mr LEE Cheuk-yan, Mr WONG Kwok-hing, Mr Ronny TONG, Ms Cyd HO, Dr Priscilla LEUNG, Mrs Regina IP, Mr Paul TSE, Mr LEUNG Kwok-hung, Mr Albert CHAN, Ms Claudia MO, Mr Gary FAN, Mr CHAN Chi-chuen, Dr KWOK Ka-ki, Dr Fernando CHEUNG, Mr SIN Chung-kai and Dr Helena WONG voted for the amendment.

Mr CHAN Kam-lam, Mr CHAN Hak-kan, Dr CHIANG Lai-wan and Mr Christopher CHUNG abstained.

THE PRESIDENT, Mr Jasper TSANG, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 25 were present, 17 were in favour of the amendment and eight abstained; while among the Members returned by geographical constituencies through direct elections, 21 were present, 16 were in favour of the amendment and four abstained. Since the question was agreed by a majority of each of the two groups of Members present, he therefore declared that the amendment was passed.

**PRESIDENT** (in Cantonese): Since Mrs Regina IP has used up all her speaking time, she may not reply now.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the motion moved by Mrs Regina IP, as amended by Ms Claudia MO, Dr Helena WONG, Mr IP Kin-yuen, Mr MA Fung-kwok and Mr Paul TSE be passed.

**PRESIDENT** (in Cantonese): Will those in favour please raise their hands?

(Members raised their hands)

**PRESIDENT** (in Cantonese): Those against please raise their hands.

(No hands raised)

**PRESIDENT** (in Cantonese): I think the question is agreed by a majority respectively of each of the two groups of Members, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections, who are present. I declare the motion as amended passed.

### **NEXT MEETING**

**PRESIDENT** (in Cantonese): Honourable Members, this Council still has a lot of business to handle and the meeting must be continued next year, therefore, I will not approve the world to end tomorrow.

I now adjourn the Council until 11 am on Wednesday 9 January 2013.

*Adjourned accordingly at sixteen minutes past Two o'clock.*