

LFI ACTIONS COMMENTS

on

FLASH INFO #1 FINANCE

3

OBJECTIVES

→ Control and stabilisation of school fees

→ Growth in student numbers and reduction of fixed costs per student

→ Optimisation of resources and improved cost control

What brings Partnership to FIS?

- 1 • Vastly improved financial visibility and stability:
 - In Partnership: AEFÉ fees are set at a fixed rate of 2% of the French Section's tuition fees.
 - Convention: cost can fluctuate each year and be unilaterally imposed by the AEFÉ.
- 2 • AEFÉ's past budget shortfalls, as reported by France's Court of Auditors, have led to increased costs for FIS, and a steady decline in the number of AEFÉ staff available to the school - thereby negating the possibility of any financial advantages of a convention.
- 3 • For FIS - a Partnership is financially equivalent to a Convention and a change of status bears no impact on tuition fees.
- 4 • Recruitment of one representative Head of School for all FIS would allow the alignment of educational and strategic visions, and bring much needed expertise to the management of a private school. Objective - to increase the number of students while controlling our costs.

1

True for the contribution to the AEFÉ. False on the whole

A number of services (HR management) will have to be taken care of which will lead to the use of external consultants. No explanation in the table that unless otherwise stated is just a replacement calculation of resident professors by locals. An explanation of the methodology would be welcome. The visibility of professors is limited and the offer for experienced teachers is far from certain. The testimony of the manager of a French school in Hong Kong on recruitment difficulties is explicit

2

True for the past. Answers in July

The unilateral increase in AEFÉ fees has been inadmissible and denied by all high schools. The reform of the AEFÉ is announced for July and will give visibility over 3 years. The sanctuarisation of the budget is recorded in the preliminary reports. The decrease in the contribution is valid for 2019 with the intention of reducing the contribution to 6% for the following years. This will be confirmed in July Why change now?

3

Very biased

The partnership would only be implemented in 2020. There is already a cost impact of 2% which is financed by equity which implies that this cost would have to be refinanced at a later time. The calculation of the change in governance and the setting up of the structure in partnership was not made explicit. Some of the resources provided by the AEFÉ are financed by the French section. These resources will be divided between the two sections. What impact for the international section ?

4

False

The new agreement provides unlike the old convention that the mission letter of the new headmaster is prepared in collaboration with the board. The strategic vision is also aligned in the new convention. The difference in recruitment is therefore more between the pool of candidates (AEFÉ) and private. On the objectives, knowing that students are on the waiting list because the classes can not accommodate students, a priori there is no room to open certain sections, the change of status is it really the solution ?

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What Partnership does NOT do:

1 Schools in AEFÉ Partnership Contracts are more expensive than those in Convention

NO - According to the July 2018 Senate Report, the average cost of a school in Convention in Asia Oceania in 2017/18 was 57% higher than that of an AEFÉ Partnership school. The comparison by country reveals the same finding..

MYTH The FIS will increase its profits because it will become private **Exact**

NO - As per its Articles of Association (AoA), FIS is a private non-profit association of debenture members. A change of AEFÉ association mode is irrelevant here and FIS school fees will continue to reflect costs alone.

MYTH In Partnership, the members of the Board of Directors will be paid: **Exact**

NO - As per FIS's AoA, the members of the Board of Directors can not accept any remuneration.

2 In partnership FIS would lose the support of the HK Government and therefore its free leases

NO - Generous HK Government support is provided to all non-profit international schools in HK (1/3 of 52 international schools). Like FIS with TKO, 12 other schools (unrelated to foreign governments), have also obtained free land from the HK Government. This is independent of AEFÉ status.

3 In Convention, FIS could receive new real estate subsidies from the AEFÉ

NO - The property subsidy budgets of the AEFÉ have been removed. Small and limited budgets for security improvements could remain, however, would do so irrespective of the school's AEFÉ status.

MYTH FIS has a debt of €3.6M owed to the AEFÉ: **Exact**

NO - The statement by the director of the AEFÉ is incorrect and FIS has no debt to the AEFÉ. FIS has €2.0m in yet-due payables and a further €0.6M remains in dispute.

1

TRUE

The profiles of schools in partnership and convention are very different. High schools in Asia are in very expensive environments

(Singapore, Hong Kong, Shanghai, Tokyo). The use of global figures already used by the board and refuted by teachers in particular does not tell us anything about our local situation.

For comparison, the Canton High School in partnership in an environment a priori cheaper is comparable in tuition.

A provisional budget in the two scenarios with a precise methodology would allow a consensus

2

TRUE

The 2 statuses are not equivalent. Land allocation is a complex procedure in Hong Kong and obtaining land may be difficult especially now where there is a growing number of international schools and overcapacity. Renewal of leases can be problematic as with Chai Wan. In partnership the school negotiates directly. In convention, it enjoys the political support of the consulate that can intervene and facilitate the process. The 2 statuses are not equivalent

3

Impossible à savoir pour le futur

The three-year plan budget of the AEFÉ will be known in July

The subject Finance is little divergent because it presents the partnership = isocoat convention

We insist on our request to have a clear vision on finance: A predicted plan at 3-5 years in the 2 scenarios with an explanation of the methodology and the implications for reserves and tuition fees of the 2 sections.

For transparency too, can we also have the costs involved to know, the Turenne study, IPSOS polls, Webinars, legal advice on the subject as well as the electronic vote.