

## **ITEM FOR FINANCE COMMITTEE**

### **HEAD 146 - GOVERNMENT SECRETARIAT : EDUCATION AND MANPOWER BUREAU**

#### **Subhead 001 Salaries**

### **HEAD 173 - STUDENT FINANCIAL ASSISTANCE AGENCY**

#### **New Subhead "Means-tested grant for post-secondary students"**

#### **Subhead 001 Salaries**

#### **Subhead 275 Student travel scheme**

### **LOAN FUND**

### **HEAD 252 - LOANS TO SCHOOLS/TEACHERS**

#### **New Subhead "Start-up loan for post-secondary education providers"**

### **HEAD 254 - LOANS TO STUDENTS**

#### **New Subhead "Means-tested loan for post-secondary students"**

#### **Subhead 102 Non-means-tested loan scheme**

Members are invited to approve the following -

#### **in respect of financial assistance for students**

- (a) the introduction of a means-tested grant and loan scheme and the introduction of a modified non-means-tested loan for students pursuing accredited, self-financing post-secondary programmes with effect from the 2001/02 academic year;
- (b) the creation of a new subhead "Means-tested grant for post-secondary students" under Head 173 - Student Financial Assistance Agency with a provision of \$49 million in 2001-02;

/(c) .....

- (c) the creation of a new subhead “Means-tested loan for post-secondary students” under Loan Fund Head 254 - Loans to Students with a provision of \$100 million in 2001-02;
- (d) an increase in the approved provision under Loan Fund Head 254 - Loans to Students Subhead 102 Non-means-tested loan scheme from \$452.194 million by \$64 million to \$516.194 million in 2001-02;
- (e) an increase in the approved provision under Head 173 - Student Financial Assistance Agency Subhead 275 Student Travel Scheme from \$395.472 million by \$13 million to \$408.472 million in 2001-02;

**in respect of financial assistance for course providers**

- (f) the introduction of a new loan scheme for education providers launching accredited post-secondary programmes on a self-financing basis;
- (g) the creation of a new subhead “Start-up loans for post-secondary education providers” under Loan Fund Head 252 - Loans to Schools/Teachers with a commitment of \$5,000 million;

**in respect of the administration of the proposed financial assistance to students and course providers**

- (h) an increase in the ceiling placed on the total notional annual mid-point salary value of non-directorate posts in the permanent establishment of Head 173 - Student Financial Assistance Agency from \$60,536,000 by \$7,535,400 to \$68,071,400 in 2001-02 for the creation of 24 non-directorate posts; and

- (i) an increase in the ceiling placed on the total notional annual mid-point salary value of non-directorate posts in the permanent establishment of Head 146 - Government Secretariat : Education and Manpower Bureau from \$42,860,980<sup>1</sup> by \$1,111,140 to \$43,972,120 in 2001-02 for the creation of two non-directorate posts.

## PROBLEM

We must increase the opportunities for our secondary school leavers to pursue post-secondary education if Hong Kong is to maintain its competitiveness in an increasingly knowledge-based economy. We need to provide student financial assistance so that no qualified students will be denied access to self-financing post-secondary education because of a lack of financial means. We also need to provide one-off financial assistance to providers launching new or expanded accredited post-secondary programmes on a self-financing basis.

## PROPOSAL

2. On top of Government's ongoing commitment to provide publicly-funded tertiary education places, we propose to facilitate a progressive expansion in self-financing post-secondary programmes by introducing the following package of support measures for students and course providers with effect from the 2001/02 academic year -

- (a) a new means-tested financial assistance scheme providing eligible students with either a grant or a loan to meet the tuition fees of accredited, self-financing post-secondary education programmes;
- (b) a new non-means-tested loan for eligible students pursuing accredited, self-financing post-secondary education programmes to meet basic living expenses (on top of the non-means-tested loan currently available for meeting tuition fees); and
- (c) a new loan scheme for post-secondary education providers to support their initial start-up costs.

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<sup>1</sup> The Establishment Subcommittee endorsed at its meeting on 20.6.2001 the increase in establishment ceiling of Head 146 - Government Secretariat: Education and Manpower Bureau in 2001-02 from \$40,690,000 to \$42,860,980. The revised ceiling is subject to Finance Committee's approval on 6.7.2001.

3. In anticipation of an increase in the number of full-time students enrolled in local post-secondary programmes, we also propose to increase the financial provision for the Student Travel Subsidy Scheme providing subsidy to needy full-time students up to first-degree level.

4. In addition, we propose to increase the NAMS ceiling for the Education and Manpower Bureau (EMB) and the Student Financial Assistance Agency (SFAA) so that additional staff can be provided to administer the proposals in paragraph 2 above.

## JUSTIFICATION

### I. FINANCIAL ASSISTANCE FOR STUDENTS

5. At present, full-time students of self-financing post-secondary programmes, such as Higher Diploma, Associate Degree and Professional Diploma programmes, are only provided with a loan to meet tuition fees under the Non-means Tested Loan Scheme (NLS), except for those studying at Hong Kong Shue Yan College (HKSYC) who are also eligible for means-tested financial assistance<sup>2</sup>. To support students in pursuit of self-financing post-secondary education, and to ensure that no qualified students are denied access to self-financing post-secondary education because of lack of financial means, we propose to make available both means-tested and additional non-means-tested financial assistance to students who meet the eligibility criteria set out at Enclosure 1.

Encl. 1

6. To open up more possibilities for students and institutions, we recommend that, apart from eligible students enrolled in local programmes, the following categories of students meeting the basic eligibility criteria at Enclosure 1 should also benefit from the same student financial assistance -

- (a) students pursuing any accredited programme with up to 50% of its modules offered outside Hong Kong; and
- (b) students pursuing designated accredited post-secondary programmes in designated institutions outside Hong Kong, as detailed in paragraphs 9 to 11 below.

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<sup>2</sup> NLS provides non-means-tested loan to students of government-funded tertiary institutions, the Open University of Hong Kong, HKSYC and some approved continuing education courses. It operates on a no-gain-no-loss and cost recovery basis. The interest rate is currently set at 2% below the average of the best lending rates of the note-issuing banks, plus a 1.5% risk adjustment factor to cover Government's risk in disbursing unsecured loans. Apart from NLS, the Student Finance Assistance Scheme (SFAS) provides means-tested grant and loan to full-time students of private post-secondary colleges registered under the Post Secondary Colleges Ordinance (HKSYC is currently the only college registered under the Ordinance).

Details of our proposals are set out in the following sections.

### **Proposed Financial Assistance Schemes**

#### ***(i) Means-tested Assistance for Needy Students***

7. We propose to introduce a new, means-tested assistance scheme for needy students (among those who meet the basic eligibility criteria set out in paragraphs 5 to 6 above) to assist the students in paying tuition fees. The scheme will operate along the following lines -

- (a) students with proven financial need will receive either a grant or a loan, subject to a ceiling of \$60,000 to be adjusted annually by the Secretary for Education and Manpower in line with the Consumer Price Index (A);
- (b) the Local Student Finance Scheme (LSFS)<sup>3</sup> formula will be used as a reference in determining the eligibility of applicants. Specifically, students eligible for 100% assistance under the LSFS formula will be eligible for the proposed means-tested grant. The amount of grant will be determined with reference to the tuition fee, subject to the ceiling in (a) above. Students who pass the LSFS formula but are not eligible for 100% assistance will be eligible for the proposed means-tested loan. The amount of loan will be determined with reference to the tuition fee and the sliding scale of the LSFS formula, subject to the same ceiling in (a) above;
- (c) to ensure value for money and prudent use of public funds, the grant will be disbursed on the condition that the recipient can successfully complete the accredited programme **and** be awarded the intended qualification; failing which, the grant will have to be repaid on the same terms as the proposed means-tested loan; and
- (d) for the means-tested loan, no interest is chargeable during the study period. Interest is payable at 2.5% per annum upon graduation or termination of study. The maximum repayment period will be ten years.

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<sup>3</sup> LSFS provides means-tested grant and/or loan for needy, full-time students in government-funded programmes in publicly-funded tertiary institutions. The LSFS formula assesses eligibility for and extent of assistance using an income test and an asset test.

***(ii) Non-means-tested Financial Assistance for all Eligible Students***

8. At present, students pursuing self-financing post-secondary education programmes can apply under the NLS to meet their tuition fees. In line with the arrangements for students pursuing publicly-funded programmes receiving means-tested assistance, we propose that post-secondary students receiving the means-tested assistance proposed in paragraph 7 above may also borrow from the NLS up to their tuition fees, after deducting the actual amount of means-tested assistance made available. We also propose to provide a non-means-tested loan under the NLS for these eligible post-secondary students to meet basic living expenses. The amount of living expenses allowable will be subject to the prevailing maximum amount offered under the LSFS (which is \$33,420 for the 2001/02 academic year). The interest rate will be the same as that being charged for loans taken out under the NLS to meet tuition fees, on the same principle of no-gain-no-loss and full cost recovery for the Government.

***(iii) Pilot Scheme for Studies Outside Hong Kong***

9. To foster diversity in our higher education system, widen students' choice and complement the provision by local education providers, we propose to extend the proposed student financial assistance schemes as per paragraphs 7 and 8 above to students pursuing full-time post-secondary programmes outside Hong Kong, starting with a pilot scheme. The pilot scheme will be confined to those disciplines with manpower shortages and for which a substantial increase in the number of places in Hong Kong will be unattainable in the near future. These include information technology (IT), financial services and creative media. We will draw up, in consultation with the Hong Kong Council for Academic Accreditation, a list of designated non-local programmes that are of high quality in these fields for inclusion in the pilot scheme. The list will be ready for reference/inspection by the public by the end of 2001.

10. As the proposed financial assistance is a form of public investment in the students, we will require beneficiaries of the pilot scheme to return to Hong Kong upon graduation for two years and contribute to the community. Any graduate failing to fulfil the condition will be required to repay all financial assistance (both means-tested and non-means-tested) in full upon demand, with interest. The interest rate for any means-tested assistance (grant or loan) obtained will be charged at the rate applicable to the NLS, from the date on which the funds are disbursed.

11. We will review the effectiveness of the pilot scheme after two years of operation, and consider the suitability of extending its coverage to include a

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wider range of post-secondary programmes outside Hong Kong, taking into account factors such as the demand from students, the supply of post-secondary education opportunities in Hong Kong and the overall needs of the community.

### **Student Travel Subsidy**

12. The existing Student Travel Subsidy Scheme (STS) provides travel subsidy to needy full-time students up to first-degree level. Given the initiatives proposed in this paper, we expect an increase in the number of full-time students of local post-secondary programmes, with a consequential increase in the number of students eligible for STS. We propose to increase the provision for STS to meet with the increased demand.

### **Rationalization of New and Existing Financial Assistance Scheme for Students of Hong Kong Shue Yan College**

13. At present, the Student Finance Assistance Scheme (SFAS), which is a cash-limited scheme, provides means-tested grants and loans to full-time students of private post-secondary colleges registered under the Post Secondary Colleges Ordinance (Chapter 320). The HKSYC is the only post-secondary college registered under the Ordinance and hence covered by the SFAS. To consolidate all financial assistance available for students pursuing self-financing, accredited post-secondary programmes, we propose that -

- (a) the means-tested and non-means-tested financial assistance proposed in paragraphs 7 and 8 above should replace the SFAS and apply to all new students of HKSYC with effect from the 2001/02 academic year; and
- (b) in order to ensure that no existing students of HKSYC will be worse off as a result of the change, we will put in place “grandfather” arrangements for the continuing students and give them an option to choose between the existing SFAS and the proposed schemes.

## **II. FINANCIAL ASSISTANCE FOR COURSE PROVIDERS**

### **Proposed Start-up Loans to Support Initial Setting-up Costs**

14. To facilitate the launch of new programmes, the Administration proposes to create a commitment of \$5,000 million under Loan Fund Head 252 - Loans to Schools/Teachers to introduce a new loan scheme to provide education providers with loans to meet the start-up expenses along the following lines -

/(a) .....

- (a) the provider must -
  - be non-profit-making;
  - provide self-financing, full-time accredited post-secondary programmes leading to a qualification at or above the level of higher diploma, associate degree or professional diploma;
- (b) the loan amount will be determined with reference to -
  - the projected number of students;
  - the providers' start-up expenses subject to a loan ceiling per student to be adjusted annually;
- (c) the loan will be interest-free; and
- (d) the loan repayment period will be no more than 10 years.

15. As the new post-secondary places will be self-financing and market-driven, we consider it prudent for course providers and Government to watch the market trend carefully and maintain a high degree of flexibility at the initial stage. We therefore propose a two-stage approach in offering loan assistance for providers, particularly those that have not yet built up a solid academic status.

16. In the first stage, we propose to offer a short-term loan to enable post-secondary course providers to -

- (a) rent premises for two years; and
- (b) cover basic refurbishment and equipment.

17. In the second stage, we propose to offer a medium-term loan to providers with good track record to -

- (a) purchase or build permanent college premises; and
- (b) cover refurbishment and equipment. For providers who have obtained the short-term loan, the medium-term loan will only cover requirements additional to those already financed by the short-term loan.

18. We further propose that, subject to the merits of individual cases, providers with a good track record, such as self-accrediting institutions, may apply for the medium-term loan from the outset.



19. We intend to set two different loan ceilings on a per student place basis, as described below, for the short-term and medium-term loan -

- (a) short-term loan : the ceiling will be determined on the basis of the prevailing average two-year rental cost of class 'C' commercial office (based on data provided by the Rating and Valuation Department), plus the average cost of refurbishment and equipment incurred by existing course providers; and
- (b) medium-term loan : the ceiling will be determined on the basis of the purchase price of class 'C' commercial office (based on data provided by the Rating and Valuation Department), plus the same average cost of refurbishment and equipment for the short-term loan.

Encl. 2

20. For both the short-term and medium-term loan, a margin of 10% will be added to cater for the needs of applicants who intend to run equipment-intensive programmes requiring higher start-up investments. On the basis of paragraph 19 above, the ceiling per student place for the short-term loan will stand at \$49,100 and that for the medium-term loan at \$183,700 for the 2001/02 academic year. Details are set out at Enclosure 2 (Section A). The Secretary for Education and Manpower will revise the ceilings annually. That portion of the ceiling attributable to rental/purchase cost of accommodation will be adjusted according to latest data provided by the Rating and Valuation Department, while the portion attributable to the benchmark refurbishment and equipment cost will be adjusted according to movements of the Consumer Price Index (A). The disbursement and repayment terms are set out at Enclosure 2 (Section C).

### **Vetting and Approving Loan Applications**

21. We propose to set up a vetting committee to assess all loan applications from course providers and to advise the loan amount for each case. The vetting committee, comprising officials and non-officials, will be responsible for assessing applications and offering recommendations to the Secretary for Education and Manpower on whether to accept, modify or reject the applications, having regard to parameters proposed above and approved by this Committee. The Secretary for Education and Manpower will approve applications at or below \$15 million and submit recommended applications for loans exceeding \$15 million to this Committee for approval. In effect, this would mean that almost all, if not all, of the recommended applications for medium-term loans and the majority of the short-term loans will be approved by this Committee. To further enhance accountability, we will also seek the approval of this Committee in the case of an application at or below \$15 million but where the outstanding loan balance for the same course provider under the proposed scheme will exceed \$15 million if the loan application under processing is factored in.

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## Review

22. Assuming that the local non-profit-making providers will offer 75% of the total number of post-secondary student places projected for the next ten years on a self-financing basis, we estimate that the total amount of short-term and medium-term loans will be \$11.9 billion. Our assumptions are set out at Enclosure 2 (Section B). We propose to set up a new commitment of \$5,000 million, which is expected to cover the loan requirements for the first five years. We will seek the approval of this Committee for an increase in commitment as and when the need arises. We will complete a review of the above loan scheme by the end of the fourth year of operation and report the findings to this Committee.

## FINANCIAL IMPLICATIONS

### Financial Assistance for Students

23. The exact amount of assistance required will depend on take-up rates and actual amounts disbursed. Based on the latest information on student intake to full-time, self-financing sub-degree programmes in 2001/02, and assuming that 60% of students in the relevant age cohort will pursue post-secondary education in 2010, our estimates and calculations are set out at Enclosure 3 and are summarised as follows -

Encl. 3

	2001	2010	2012 (Full Effect)
<b>Additional Student Number</b>			
Additional first-year student intake	6 570 <sup>4</sup>	30 600	30 600
Additional student enrolment	8 760 <sup>5</sup>	76 600	82 400
<b>(1) Means-tested grant for most needy students</b>			
No. of beneficiaries	820	6 470	6 990
Estimated amount of grant (\$ million)	49	388	419
<b>(2) Means-tested loan for other needy students</b>			
No. of beneficiaries	3 210	25 250	27 280
Estimated amount of loan (\$ million)	100	786	849
<b>Total no. of beneficiaries of (1) and (2)</b>	<b>4 030</b>	<b>31 720</b>	<b>34 270</b>
<b>(3) Non-means-tested Loan</b>			
No. of beneficiaries	810	6 410	6 930
Estimated amount of loan (\$ million)	64	500	540
<b>(4) Student Travel Subsidy</b>			
No. of beneficiaries	4 030	31 720	34 270
Estimated amount of subsidy (\$ million)	13	101	109

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<sup>4</sup> The figure includes 5 590 places offered by the Federation for Continuing Education in Tertiary Institutions and 980 places offered by Hong Kong Shue Yan College.

<sup>5</sup> The figure includes 6 570 first-year students and 2 190 second-year students currently pursuing their first-year programme in 2000/01.

24. If Members approve the proposals, the following will be required -
- (a) creation of a new subhead “Means-tested grant for post-secondary students” under Head 173 - Student Financial Assistance Agency with a provision of \$49 million in 2001-02 to cover the means-tested grants;
  - (b) creation of a new subhead “Means-tested loan for post-secondary students” under Loan Fund Head 254 - Loans to Students with a provision of \$100 million in 2001-02 to cover the means-tested loans;
  - (c) a supplementary provision of \$64 million in 2001-02 under Loan Fund Head 254 - Loans to Students Subhead 102 Non-means-tested loan scheme to cater for an anticipated increase in loans to meet tuition fees and for loans to meet basic living expenses; and
  - (d) a supplementary provision of \$13 million in 2001-02 under Head 173 - Student Financial Assistance Agency Subhead 275 Student travel scheme to cater for the needs of eligible post-secondary students.

25. The interest forgone for granting the proposed means-tested loan to a student undertaking a three-year post-secondary programme who borrowed \$30,000 loan per year is estimated to be \$25,500 during the loan period<sup>6</sup>. As the non-means-tested loans granted under the NLS are disbursed on a full cost-recovery basis and at no-gain-no-loss to Government, the proposal to offer non-means-tested financial assistance for eligible students to meet tuition fees and living expenses would not give rise to additional financial implications for the Government.

### **Start-up Loans to Support the Initial Setting-up Cost**

26. The financial implications of introducing the interest-free loan for providers will depend on the pace of development of post-secondary courses in Hong Kong, the number of applicants which fulfill the criteria as set out in paragraph 14(a) above, and the development plans of individual providers. Subject to the approval of this Committee, our initial commitment on the start-up loans will be \$5,000 million.

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<sup>6</sup> The interest forgone is calculated on the basis of the difference between the 2.5% interest charged for the means-tested loans and the current 5.5% “no-gain-no-loss” interest rate .

Encl. 2 27. The interest forgone for granting a short-term loan of, say, \$30 million and a medium-term loan of, say, \$100 million are estimated to be \$9.9 million<sup>7</sup> and \$35.8 million<sup>8</sup> respectively during the loan period. Assuming that the demand for short-term loan and medium-term loan would be in the ratio of 12:88 as projected at Enclosure 2, the total interest forgone for a commitment of \$5,000 million, if fully disbursed, is estimated to be \$1,773 million during the loan period.

### Administration Cost

Encl. 4 28. On the basis of the projected demand from students for the proposed financial assistance in 2001-02, SFAA will need 24 additional non-directorate posts at various ranks (at additional NAMS value of \$7,535,400) to handle the additional applications, payments and loan repayments. Subject to Members' approval for the increase in NAMS ceiling, SFAA will create the posts through the Departmental Establishment Committee mechanism. In addition, SFAA will incur additional departmental expenditure estimated at \$1 million on data processing, printing, postage, furniture and equipment in 2001-02. Details of SFAA's resource requirements in 2001-02 are set out at Enclosure 4. As regards requirements for future years, SFAA will review the need for additional resources in the light of actual demand and up-to-date projections for the means-tested and non-means-tested financial assistance schemes and, if necessary, seek additional resources in the normal manner.

29. To support the operation of the new assistance schemes, SFAA will enhance its existing computer system and seek funds in the normal manner when the scope of the project has been established.

30. EMB will incur total non-recurrent departmental expenses of \$1,320,000 in 2001-02 and 2002-03 for the setting up of a database on post-secondary programmes, and recurrent departmental expenses at an annual cost of \$170,000 for maintenance of the database in subsequent years. The database will also support the development of a register of accredited post-secondary courses for public information. EMB will need two additional non-directorate posts (at additional NAMS value of \$1,111,140) in 2001-02 to handle the tasks involved.

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<sup>7</sup> This is based on the assumption that a post-secondary education provider will draw down the loan of \$30 million by two equal annual instalments and the interest forgone is calculated on the basis of an interest rate at "no-gain-no-loss" to Government, currently at 5.5% per annum.

<sup>8</sup> This is based on the assumption that a post-secondary education provider will draw down the loan of \$100 million by three equal annual instalments and the interest forgone is calculated on the basis of an interest rate at "no-gain-no-loss" to Government, currently at 5.5% per annum.

Encl. 4 One of the two posts will be retained from 2002-03 onwards. Subject to Members' approval of the increase in NAMS ceiling, EMB will create the posts through the Departmental Establishment Committee mechanism. Details are set out at Enclosure 4. In addition, EMB will need additional non-directorate posts to support the vetting of loan applications from course providers and operation of the new start-up loan scheme. It will seek the requisite resources through the established mechanism for resource allocation.

### **Impact on fees and charges**

31. Introduction of the new means-tested grant and loan scheme for post-secondary students will have no impact on fees, as no administration fee is payable under the new scheme. As regards the NLS, it is operated on a full cost recovery and no-gain-no-loss basis. An administration fee of \$165 is charged upon application and annually thereafter until the loans have been fully repaid. We estimate that the additional amount of fees to be received in 2001-02 would be about \$134,000.

### **BACKGROUND INFORMATION**

32. In the 2000 Policy Address, the Chief Executive announced that -
- (a) 60% of our senior secondary school leavers should have access to tertiary education within ten years;
  - (b) the Government will facilitate tertiary institutions, private enterprises and other organisations to provide option(s) other than the traditional sixth form education, such as professional diploma courses, and allocate more resources by providing land and one-off loans to those institutions interested in offering such courses; and
  - (c) the Government will extend the scope of assistance offered to students under the Non-means-tested Loan Scheme and low interest loan scheme, and will offer fee remission to the most needy students.

33. We briefed the Legislative Council Education Panel between March and June 2001 on our policy and proposed measures to support the progressive expansion in post-secondary education opportunities. Members generally welcomed the introduction of support measures for post-secondary students and providers.

**Eligibility Criteria for the Financial Assistance Schemes for  
Post-Secondary Students**

**Eligible students -**

- (a) are local students aged 25 or below;
- (b) have not obtained any qualifications at sub-degree level or above; and
- (c) are engaged in full-time, accredited, self-financing post-secondary education programmes leading to a qualification at or above the levels of higher diploma, associate degree and/or professional diploma. For eligible students pursuing studies outside Hong Kong, the programmes have to be among those designated by Secretary for Education and Manpower for the purpose of the financial assistance schemes.

**Where -**

- (a) “Local student” is defined as “a student who has a right of abode in Hong Kong, or has resided or has his/her home in Hong Kong continuously for three years immediately prior to the commencement of his/her courses.” This definition is used to define the eligibility for Local Student Finance Scheme (LSFS) and Non-means-tested Loan Scheme (NLS), and will likewise be adopted for the proposed schemes.
- (b) For face-to-face teaching programmes, “full-time” study should normally have a curriculum of not less than 450 contact hours per year. Based on the formula of “one credit point equals 15 contact hours”, this translates into a minimum of 30 credit points per year. For non-face-to-face teaching programmes, “full-time” study should normally have a curriculum of not less than 1 350 study hours.
- (c) Accredited programmes are those that have successfully undergone accreditation. In the case of programmes offered by self-accrediting institutions, these programmes must undergo their own internal quality assurance mechanism as applied to their regular publicly-funded programmes. For non-self-accrediting institutions, their post-secondary programmes should be validated by a quality assurance agency recognised by the Secretary for Education and Manpower (e.g. the Hong Kong Council for Academic Accreditation and the ten statutory professional bodies).
- (d) Designated programmes are those approved by Secretary for Education and Manpower, after consultation with the Hong Kong Council for Academic Accreditation.

### Start-up Loans for Post-secondary Education Providers

#### (A) Proposed Loan Ceiling Per Student

(1) <u>Short-term loan</u> -	
(a) Two-year rental cost of accommodation per student (Note 1)	\$27,740
(b) Refurbishment and equipment costs per student (Note 2)	\$16,870
	<b>\$44,610</b>
(2) Plus a margin of 10% for equipment-intensive or science subjects (2) = (1) x (1 + 10%), rounded to the nearest hundred dollars	<b>\$49,100</b>
(3) <u>Medium-term loan</u> -	
(a) Purchase cost of class 'C' commercial office per student (Note 1)	\$150,090
(b) Refurbishment and equipment costs per student (Note 2)	\$16,870
	<b>\$166,960</b>
(4) Plus a margin of 10% for equipment-intensive or science subjects (4) = (3) x (1 + 10%), rounded to the nearest hundred dollars	<b>\$183,700</b>

#### Notes :

1. The average rental and purchase costs of accommodation are based on the costs of class 'C' commercial office as at the third quarter of 2000, such data are provided by the Rating and Valuation Department and are updated periodically. The space requirement per student is based on the average provision of existing providers.
2. The average refurbishment and equipment costs are set with reference to the current average costs borne by existing continuing and professional education providers. We assume that the costs will be the same for rental and permanent accommodation.

**(B) Estimated Loan Amount**

Projected number of student places to be met by local, non-profit-making providers (i.e. 75%)	60 000
Estimated total loan amount (\$ billion)	
(a) short-term loan	1.4
(b) medium-term loan	10.5
<b>Grand Total</b>	<b>11.9<sup>(Note 3)</sup></b>

Note :

3. In calculating the total loan amount, we assume that half of the providers will borrow both the short-term and medium-term loans whereas the other half (those with good track record) will borrow the medium-term loan only. We also assume that half of the courses are related to equipment-intensive or science subjects.

**(C) Payment and Repayment Terms**

**Short-term Loan**

1. The loan will be disbursed in two instalments based on the expenditure pattern of the successful applicant.
2. The loan will be repaid by equal annual instalments within ten years from the date of final drawdown.
3. No interest will be payable during the loan period.

**Medium-term Loan**

4. The loan will be disbursed by instalments based on the expenditure pattern of the successful applicant.
5. If the loan is used for purchasing college premises, the loan will likely be disbursed by one or two instalments.
6. If the loan is used for building college premises, the loan will be disbursed by instalments over a maximum of three years.
7. The loan will be repaid by equal annual instalments within ten years from the date of final drawdown.
8. No interest will be payable during the loan period.



**Estimated Financial Implications of the Proposed  
Financial Assistance Schemes for Post-secondary Students**

<i>Year</i>	<i>Means-tested Grant</i>		<i>Means-tested Loan</i>		<i>Non-means - tested Loan</i>		<i>Student Travel Subsidy</i>	
	<i>Estimated no. of eligible students</i>	<i>Amount (\$'000)</i>	<i>Estimated no. of eligible students</i>	<i>Amount (\$'000)</i>	<i>Estimated no. of eligible students</i>	<i>Amount (\$'000)</i>	<i>Estimated no. of eligible students</i>	<i>Amount (\$'000)</i>
2001	820	49	3 210	100	810	64	4 030	13
2010	6 470	388	25 250	786	6 410	500	31 720	101
2012 (full effect)	6 990	419	27 280	849	6 930	540	34 270	109

## Notes :

1. The means-tested grant and loan estimates are based on 2000-01 LSFS application exercise for first-degree and sub-degree students. We assume that 46% of students will receive means-tested financial assistance. Of them, 20.4% will be eligible to receive means-tested grant. This is equivalent to the ratio of recipients receiving maximum grant under the LSFS. On average, students will be eligible for 51.9% of the maximum loan entitlement.
2. The NLS estimates are based on the applications in 2000-01 for the loan (for tuition fees) now available under NLS. We assume that 8.5% of students will apply for non-means-tested loans (for tuition fees and basic living expenses) and that they will apply for up to 88.3% of the loan ceiling.
3. The STS estimates are based on the assumption that all students eligible for the means-tested assistance will be eligible for STS.

**Estimated Recurrent Expenditure for Implementation of the Proposed  
Financial Assistance Schemes for  
Post-secondary Students**

**(A) Under Head 173 - Student Financial Assistance Agency**

<i>Year</i>	<i>Additional Posts</i>	<i>Additional notional annual salary cost (NAMS) at mid point</i>	<i>Full annual average staff cost</i>	<i>Departmental Expenses</i>
2001-02	24	\$7,535,400	\$12,511,000	\$980,000

Note :

The 24 additional posts required in 2001-02 comprises one Chief Executive Officer, one Senior Executive Officer, three Executive Officer I, two Senior Clerical Officer, five Clerical Officer, 11 Assistant Clerical Officer and one Personal Secretary II.

**(B) Under Head 146 - Government Secretariat: Education and Manpower Bureau**

<i>Year</i>	<i>Additional Posts (Note)</i>	<i>Additional notional annual salary cost (NAMS) at mid point</i>	<i>Full annual average staff cost</i>	<i>Departmental Expenses</i>
2001-02	2	\$1,111,140	\$1,762,884	(A non-recurrent cost of \$1,320,000)
2002-03	1	\$508,860	\$830,580	
2003-04 and after	1	\$508,860	\$830,580	\$170,000

Note :

In 2001-02, EMB will need two additional posts (one Statistician and one Senior Statistical Officer (SSO)) for the initial setting up of the database and statistical collection system. In 2002-03, EMB will retain one SSO post to support the second half of the development stage. The SSO post will be retained for the annual maintenance of the system from 2003-04 onwards.