

Legislative Council Panel on Education

Start-up Loan for Post-secondary Education Providers

PURPOSE

This paper informs Members of the Administration's proposal to seek the approval of the Finance Committee (FC) for a medium-term loan of \$135,274,000 to the Chinese University of Hong Kong to cover the cost of purchasing premises for Associate Degree programmes offered by its School of Continuing Studies.

BACKGROUND

2. 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 organizations 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 loan 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.

3. The FC approved on 6 July 2001 a package of support measures to facilitate a progressive expansion in self-financing post-secondary programmes, including a start-up loan scheme for course providers with a commitment of \$5,000 million to cover the costs of accommodation, equipment and refurbishment. So far, there are 38 self-financing programmes at sub-degree level or above providing about 7 000 places for our senior secondary school leavers.

4. The ceilings for the start-up loan are set out at **Enclosure 1**. As approved by the FC on 6 July 2001, the Secretary for Education and Manpower (SEM) can under delegated authority approve applications at or below \$15 million, whereas applications for loans exceeding \$15 million (or an application at or below \$15 million but the outstanding loan balance for the same provider exceeds \$15 million when the loan application under processing is factored in) will need to be approved by the FC. We have set up a Vetting Committee in September 2001 to assess all loan applications and to advise the SEM on the loan amount for each case. The terms of reference and membership of the Vetting Committee are set out at **Enclosure 2**.

5. On 7 December 2001, the FC approved the first batch of applications from four institutions and the total loan amount was \$546,759,000. We received six applications in the second application exercise (October to December 2001). Having regard to the advice of the Vetting Committee, SEM recommends for FC's approval the granting of one medium term loan to one institution. Details are set out in the paragraphs below.

6. In considering the application, the Vetting Committee has considered the criteria set out in paragraphs 14 to 20 of FCR (2001-02)30 (i.e. that the provider must be non-profit making and provides 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) and the per student loan ceiling. In examining the applications, the Vetting Committee has taken into account the projected student population and the proposed use of the loan, the quoted start-up costs and the financial viability of the case.

THE CHINESE UNIVERSITY OF HONG KONG (CUHK)

7. CUHK has applied for a medium-term loan of \$165,330,000 of which \$118,573,000 is for the purchase price of premises at a commercial building in Central and \$46,757,000 to cover refurbishment and equipment costs. The new teaching centre will be used by the University's School of Continuing Studies (SCS) to accommodate a total of 900 students in self-financing Pre-Associate and Associate Degree programmes starting from the 2002/03 academic year.

8. Having regard to the considerations in paragraph 6 above, the Vetting Committee advised and we recommend the approval of a medium-term loan of \$135,274,000 comprising –

- (a) \$118,573,000 for the purchase of commercial premises providing 3,154 square metres of accommodation; and
- (b) \$16,701,000 for the refurbishment and equipment costs for 900 student places.

9. As the proposed Pre-Associate Degree programme is not a standalone programme but is one that will provide articulation arrangement to the Associate Degree programme, we agree with the Vetting Committee that it should also be eligible for the start-up loan. We have recommended a loan amount which is less than that applied for by CUHK so as to comply with the loan ceiling per student approved for refurbishment and equipment cost applicable to equipment intensive or science programmes. We also concur with Vetting Committee's advice that the medium-term loan can be offered from the outset in view of CUHK's experience and track record in running self-financing programmes.

Other applications

10. Apart from the application that is the subject of this submission, the Vetting Committee has also recommended approval of one application from the Hong Kong Institute of Education for a short-term loan of \$15 million. SEM has approved this application under authority delegated by this Committee. The Vetting Committee has deferred consideration of the remaining four applications, pending the successful accreditation of the concerned institutions/programmes, the provision of additional information and further revision of the development plans by the applicants. A summary of the second application exercise is at **Enclosure 3**.

FINANCIAL IMPLICATIONS

11. Subject to FC's approval, a provision of \$135,274,000 will be required for a medium-term loan under Head 252 – Loans to School/Teachers Subhead 106 Start-up loan for post-secondary education providers.

12. There are no recurrent implications.

Loan Ceiling per Student

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

**Start-up Loan for Post-secondary Education Providers Vetting
Committee (Vetting Committee)**

Terms of Reference

1. To examine and assess applications for start-up loan for post-secondary education providers in accordance with prevailing policies, and advise the Secretary for Education and Manpower (SEM) on whether to accept, modify or reject the applications, where the loan amount to be approved is at or below \$15 million.
2. To examine and assess applications for start-up loan for post-secondary education providers in accordance with prevailing policies, and advise SEM on whether to recommend the applications for approval by the Finance Committee of the Legislative Council, where the loan amount to be approved exceeds \$15 million.
3. To advise SEM on any other matters that may be referred to the Vetting Committee by the Education and Manpower Bureau concerning the policy and execution of the post-secondary loan scheme.

Membership

Chairman : Professor TAM Man Kwan

Members : Non-officials
Mr. KUNG Lin Cheng, Leo
Mr. LIAO Cheung Kong, Martin
Mr. WONG Tak Wai, Alvin

Official

Principal Assistant Secretary (Education and Manpower)1

Secretary : Project Co-ordinator(1) (Education and Manpower Bureau)

Quorum

At any meeting of the Vetting Committee, three members (including the chairman) shall form a quorum.

**Summary of Second Application Exercise
Start-up Loan for Post-Secondary Education Providers**

Number of applications received	6
Total amount of short-term loans applied for	\$78,800,000
Total amount of medium-term loans applied for	\$165,330,000
Total amount of loans applied for	\$244,130,000
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Number of applications involving loan amount at or below \$15 million considered and approved by SEM	1
Amount of short-term loan approved by SEM	\$15,000,000
Total amount of loans approved by SEM	\$15,000,000
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Number of applications involving loan amount above \$15 million subject to the approval of the Finance Committee	1
Amount of medium-term loan proposed for approval by the Finance Committee	\$135,274,000
Total amount of loan proposed for approval by the Finance Committee	\$135,274,000