

## **For Information**

### **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) on the following loans totaling \$311,156,000 from the Loan Fund –

- (a) a short-term loan of \$44,756,000 to the City University of Hong Kong to cover the cost of renting premises for its Associate Degree programmes; and
- (b) a medium-term loan of \$266,400,000 to the Vocational Training Council to cover the cost of constructing accommodation for its Higher Diploma programmes.

#### **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 for 2002-03 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 and 26 April 2002, the FC approved the first and second batches of applications from 5 institutions and the total loan amount was \$546,759,000 and \$135,274,000 respectively. We received five applications in the third application exercise (March to April 2002). Having regard to the advice of the Vetting Committee, SEM recommends for FC's approval the granting of one short-term loan and one medium-term loan to two institutions respectively. 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.

## **CITY UNIVERSITY OF HONG KONG (CityU)**

7. CityU has applied for a short-term loan of \$44,756,000 to

cover the rental cost of premises and refurbishment and equipment costs for the setting up of a campus in Telford Gardens for the purpose of offering self-financing Associate Degree programmes. The new campus will be used by CityU's College of Higher Vocational Studies starting from the 2002/03 academic year and can accommodate 1 500 students in these programmes.

8. Having regard to the considerations in paragraph 6 above, the Vetting Committee advised and we recommend the approval of a short-term loan of \$44,756,000, comprising –

- (a) \$18,727,500 for the rental costs of 8,300 square metres of accommodation at the campus in Telford Gardens for a period of two years; and
- (b) \$26,028,500 for the refurbishment and equipment costs for 1 500 student places (of which \$12,764,500 is for refurbishment and equipment costs applicable to equipment intensive or science programmes for 700 student places).

### **VOCATIONAL TRAINING COUNCIL (VTC)**

9. VTC set up a new School of Business and Information System (SBI) in rented premises in September 2001 to offer Higher Diploma courses on a self-financing basis. More than 700 students are enrolled to the SBI programmes in the 2001/02 academic year. VTC has applied for a medium-term loan of \$266.4 million to build additional premises totalling 19 800 square metres within its Hong Kong Institute of Vocational Education (Tsing Yi) campus to provide permanent accommodation for the SBI from the 2004/05 academic year. The additional premises include a new building and extensions of the existing library and canteen to service the needs of the SBI programmes. In accordance with paragraph 12.1 of the Memorandum of Administrative Arrangements between the Government and the VTC, the Council "shall keep a separate set of accounts for the full costs of its self-financing activities, and ensure that there is no cross-subsidisation in money or in kind between its subvented programmes and self-financing activities". The Vetting Committee advised and we recommend the approval of a medium-term loan of \$266.4 million catering to a student population of 2 438 in the SBI. The loan comprises –

- (a) \$230 million for the building costs of additional premises

providing 19 800 square metres of accommodation at the Hong Kong Institute of Vocational Education (Tsing Yi) campus; and

- (b) \$36.4 million for the refurbishment and equipment costs for 2 438 student places.

10. We also concur with the Vetting Committee's advice that the medium-term loan can be extended to VTC from the outset, having regard to the applicant's good track record in running post-secondary programmes.

### **OTHER APPLICATIONS**

11. Apart from the two applications which are the subject of this submission, the Vetting Committee has deferred consideration of the remaining three 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 third application exercise is at **Enclosure 3**.

### **FINANCIAL IMPLICATIONS**

12. Subject to FC's approval, a provision of \$311,156,000 will be required for a short-term loan of \$44,756,000 and a medium-term loan of \$266,400,000 under Head 252 – Loans to School/Teachers Subhead 106 Start-up loan for post-secondary education providers.

13. There are no recurrent implications.

Education and Manpower Bureau  
June 2002

**Enclosure 1**

**Loan Ceiling per Student**

(1) <u>Short-term loan</u> –	
(a) Two-year rental cost of accommodation per student	\$29,270
(b) Refurbishment and equipment costs per student	\$16,580
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	\$45,850
Plus a margin of 10% for equipment-intensive or Science subjects (2) = (1) x (1 + 10%)	\$50,430
(2) <u>Medium-term loan</u> -	
(a) Purchase cost of class “C” commercial offices per student	\$137,950
(b) Refurbishment and equipment costs per student	\$16,580
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	\$154,530
(3) Plus a margin of 10% for equipment-intensive or Science subjects = (3) x (1 + 10%)	\$169,980

**Enclosure 2**

**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)<sup>1</sup>
- 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 Third Application Exercise  
Start-up Loan for Post-Secondary Education Providers**

Number of applications received	5
Total amount of short-term loans applied for	\$122,296,500
Total amount of medium-term loans applied for	\$266,400,000
Total amount of loans applied for	\$388,696,500
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Number of applications involving loan amount at or below \$15 million considered and approved by SEM	Nil
Amount of short-term loan approved by SEM	Nil
Amount of short-term loan approved by SEM	Nil
Total amount of loans approved by SEM	Nil
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Number of applications involving loan amount above \$15 million subject to the approval of the Finance Committee	2
Amount of short-term loan proposed for approval by the Finance Committee	\$44,756,000
Amount of medium-term loan proposed for approval by the Finance Committee	\$266,400,000
Total amount of loan proposed for approval by the Finance Committee	\$311,156,000