

For information

Legislative Council Panel on Education Start-up Loan to Post-secondary Education Institutions

PURPOSE

This paper informs Members of the Administration's proposal to seek the approval of the Finance Committee (FC) to provide from the Loan Fund the following loans totalling \$419.344 million to cover the costs of constructing a purpose-built campus and refurbishing vacant school premises for the operation of full-time locally accredited post-secondary programmes –

- (a) \$350 million to Chu Hai College of Higher Education;
- (b) \$40.344 million to the University of Hong Kong for the operation of HKU SPACE Community College; and
- (c) \$29 million to Hong Kong College of Technology.

BACKGROUND

2. In support of the 2000 policy objective of enabling 60% of our secondary school leavers to receive tertiary education by 2010, the Administration introduced various support measures to promote the development of a self-financing post-secondary sector in Hong Kong. These include a \$5 billion Start-up Loan Scheme to provide interest-free loans for purchasing, renting or building campuses.

3. To ensure the healthy and sustainable development of the post-secondary education sector, the Administration initiated a Review of the Post-secondary Education Sector in 2005. The Review was conducted in two phases and we reported to Members the recommendations of the Phase Two Review on 14 April 2008. Amongst other improvement measures, the Review recommended that the Start-up Loan Scheme should be modified to support quality enhancement of the sector. To this end, institutions may, without the need to provide additional student places, apply for interest-free loans for:

- (a) providing or enhancing teaching and other ancillary facilities (e.g. library, laboratories, student guidance/career counseling centres, etc) which serve to enhance the learning experience of and support for students;
- (b) reprovisioning existing college campuses operating in sub-optimal environment; and
- (c) refurbishing the vacant school premises allocated to them to enhance students' learning environment.

Members generally supported the recommendations of the Review.

4. Since the introduction of the Start-up Loan Scheme in 2001, FC has already approved 20 loans to 12 institutions, amounting to about \$4,077 million in total. The Secretary for Education approved under delegated authority¹ a total of five loan applications amounting to \$52 million in total. The list of Start-up Loans approved is at Annex A. As at the end of March 2009, a total of \$737 million has been repaid and all repayments have been on time.

JUSTIFICATIONS

5. We launched the latest Start-up Loan application exercise in November 2008. A total of eight applications have been received. The applications have been assessed by an independent Vetting Committee. The terms of reference and membership of the Vetting Committee are at Annex B. The selection criteria adopted by the Vetting Committee are at Annex C. Having regard to the advice of the Vetting Committee, the Secretary for Education recommends for FC's approval the granting of a loan of \$350 million to Chu Hai College of Higher Education (Chu Hai); a loan of \$40.344 million to the University of Hong Kong (HKU) and a loan of \$29 million to the Hong Kong College of Technology (HKCT). Details on use of the loans are set out in paragraphs below.

Chu Hai College of Higher Education

6. Chu Hai has been offering post-secondary programmes in Hong Kong since the 1950's. In 2004, Chu Hai College of Higher Education was

¹ As approved by FC on 6 July 2001, the Secretary for Education can under delegated authority approve applications at or below \$15 million.

registered under the Hong Kong Post Secondary Colleges Ordinance (Cap. 320). Since then, it has become one of the twelve degree-awarding institutions in Hong Kong. Chu Hai currently operates two Associate Degree (AD) and ten degree programmes (see Annex D1 for the list of programmes) in rented private premises with school-setting and the adjacent commercial premises in Tsuen Wan. This is Chu Hai's first Start-up Loan application.

7. Chu Hai applies for a Start-up Loan to fund part of the construction costs of a purpose-built campus at Tuen Mun east. The location map and the conceptual design of the campus are at Appendix 1. The area of the concerned site is around 16 000 square meters. Two building blocks will be constructed in the new campus. Details on the Gross Floor Area (GFA) and the construction costs of the two buildings are as follows:

	GFA (sq. m.)	Construction Cost	Cost per sq. m.
Block A	18,424 (82%)	\$350,280,000 (83%)	around \$19,000
Block B	4,091 (18%)	\$71,180,000 (17%)	around \$17,400
Total	22,515 (100%)	\$421,460,000 (100%)	-

The Start-up Loan under application is to cover the construction of Block A, which comprises classrooms, lecture theatres, computer laboratories, engineering laboratories, music laboratories, language laboratories, journalism studios, architecture studios, cafeteria, a health care centre, a counseling centre, a hall, a library, a gymnasium/multi-purpose sports centre and a range of amenity services. Chu Hai will support the construction cost of Block B by its own resources².

8. The new campus can serve up to 4 000 students. Chu Hai's student population has grown steadily since it started to offer accredited degree programmes. The new intake of students increases by 50% in 2006/07, 12% in 2007/08 and 25% in 2008/09. The total student population in 2008/09 academic year is around 1 100. Chu Hai estimated that its student population would increase to 2 400 in 2012/13 (i.e. the projected annual growth in student intake from 2009/10 to 2012/13 is 15% to 20%) when the new campus started operation, and reach the campus' design capacity in around 2018/19 (i.e. the projected annual growth in student intake from 2013/14 onwards slow down to 5% to 15%).

² Facilities provided by Block B tentatively include laboratories, teaching and research rooms, administration offices and caretakers/staff quarters.

9. We are of the view that Chu Hai's new campus will both improve the learning environment of its existing students and increase the provision of self-financed degree places in Hong Kong. New facilities and equipment which are unavailable in its existing premises will be provided in the new campus, for example, the civil engineering laboratory can be expanded to accommodate heavy machinery so that students do not need to conduct tests in laboratories of other educational institutions; the architectural studios can be equipped with more equipment such as laser cutting devices and model making workshops; and the library can be expanded to provide more collections and spaces. Supporting the construction of Chu Hai's new campus is also in line with government's policy of encouraging the development of self-financing degree-awarding institutions, thereby expanding the articulation opportunities for sub-degree graduates. The Architectural Services Department (ArchSD) confirms that the estimated construction cost of the new campus is reasonable. We recommend granting a **Start-up Loan of \$350 million to Chu Hai.**

HKU for the Operation of HKU SPACE Community College

10. HKU SPACE Community College (the College) was established in March 2000 with the remit to provide full-time AD and Higher Diploma (HD) programmes. The College currently operates seven AD and twenty four HD programmes in the purpose-built campus in Kowloon Bay, the rented commercial premises in Wan Chai and the self-owned commercial premises in North Point. The present number of students is around 5 900. HKU has obtained three Start-up Loans for the operation of the College in the past: a loan of around \$35.4 million was approved in 2001 for the operation of the Learning Centre in Wan Chai in 2001/02 and 2002/03 academic years; a loan of around \$176.12 million was approved in 2001 for the purchase of a commercial building as the College's permanent campus in North Point and a loan of around \$279.26 million in 2003 for the construction of a purpose-built campus in Kowloon Bay.

11. HKU now applies for a new Start-up Loan to fund the refurbishment costs of converting the ex-premises of Kwong Yuet Tong Excel Foundation Primary School into a campus suitable for post-secondary education. The site map of the premises is at Appendix 2. The Gross Floor Area of the premises is around 5 700 square metres and the projected student population is 800. The College will move some of its students who are currently studying in commercial premises to the new campus to improve students' learning environment. The list of programmes to be offered is at Annex D2. Facilities to be provided in the new campus include classrooms, multi-media language laboratories, student common rooms, a library and a

“Cyberfloor”. The concept of the Cyberfloor is to bring together specialised IT-related laboratories and self-learning facilities, which comprise a “classroom of the future”, an engineering laboratory, a computer laboratory, an e-learning production studio and a digital gallery into a single floor to facilitate access. The facilities will be used for both teaching and self-learning. The estimated refurbishment (including furniture and equipment) cost for the whole premises is about \$7,100 per square meter.

12. We are of the view that the reprovision of the College’s operation in commercial buildings to the allocated vacant school premises will improve the learning experience of the concerned students. The new campus will give students better access to facilities such as reference library and computer laboratories, and provide more space for self-learning, project preparation and group discussions. This is in line with our policy objective of improving the quality of teaching and learning in sub-degree education. ArchSD confirms that the estimated construction cost is reasonable. We recommend granting a **Start-up Loan of \$40.344 million to HKU**.

Hong Kong College of Technology

13. HKCT started to provide post-secondary education in 2001. Its locally accredited programmes include one AD and eleven HD courses. The College operates these programmes by renting commercial premises in Hung Hom and sharing accommodation with a secondary school in Homantin. The number of students currently enrolled in these programmes are around 1 200. A Start-up Loan of around \$10.9 million was granted to HKCT in 2006 to support its operation in the Hung Hom premises in 2007/08 and 2008/09 academic years.

14. HKCT now applies for a new Start-up Loan to fund the refurbishment costs of converting the ex-premises of Ho Fai Primary School (Sponsored by Sik Sik Yuen) into a campus suitable for post-secondary education. The site map of the premises is at Appendix 3. The Gross Floor Area of the premises is around 5 000 square metres and the projected student population is 1 200 (see Annex D3 for the list of programmes). Facilities to be provided in the new campus include classrooms, student common areas, a library, a language resource centre, an art studio and a social work skill laboratory. The estimated refurbishment (including furniture and equipment) cost per square meter is \$5,800.

15. We are of the view that the reprovision of HKCT’s operation in commercial buildings and shared premises to the allocated vacant school premises will improve the learning experience of the concerned students.

Students will not need to travel between campuses for different classes and may enjoy facilities which are currently unavailable such as mock-up cruise cabin and hotel front desk, room service laboratory and practice cafeteria. This is in line with our policy objective of improving the quality of teaching and learning in sub-degree education. ArchSD confirms that the estimated construction cost is reasonable. We recommend granting **a Start-up Loan of \$29 million to HKCT**.

FINANCIAL IMPLICATIONS

16. As approved by the Finance Committee in July 2001, loans to be granted under the Start-up Loan Scheme will be interest-free, to be repaid by equal annual installments over ten years from the date of the final drawdown. The loan disbursement schedules will be as follows –

Institution	FY 2009-10 \$'000	FY 2010-11 \$'000	FY 2011-12 \$'000	FY 2012-13 \$'000	Total \$'000
Chu Hai	-	47,000	260,000	43,000	350,000
HKU	40,344	-	-	-	40,344
HKCT	29,000	-	-	-	29,000

17. We estimate that the total interest foregone for granting the above loans will be around \$81.88 million calculated on the basis of the “no-gain-no-loss” interest rate, currently at 2.632% per annum. There are no recurrent financial implications.

PUBLIC CONSULTATION

18. The Administration has consulted the Tuen Mun District Council, Southern District Council and the Sha Tin District Council on using the respective sites for post-secondary education. The concerned District Councils did not raise any objection.

IMPLEMENTATION TIMETABLE

19. We plan to seek the approval of the Finance Committee for the loan proposals on 19 June 2009. Subject to the funding approval of the Finance Committee, the tentative implementation timetable submitted by the concerned institutions is as follows –

Institution	Site	Refurbishment/ construction works	New campus starts operation	Use of existing campus in commercial premises
Chu Hai	Tuen Mun east land site	March 2010 to August 2012	September 2012	To be closed down
HKU SPACE Community College	Ex-premises of Kwong Yuet Tong Excel Foundation Primary School	mid 2009 to December 2009	Second semester of 2009/10 academic year	To be used by other teachers and students of HKU SPACE (No additional student enrolment will be generated from this exercise and resources will be put into improvements in teaching quality and learning environment)
HKCT	Ex-premises of Ho Fai Primary School (Sponsored by Sik Sik Yuen)	mid 2009 to July 2010	September 2010	To be closed down

Education Bureau
June 2009

Annex A

List of Loans Approved under the “Start-up loan scheme for post-secondary education providers”

Loan No.	Applicant	Use	Loan Amount	Date of Approval
1	HKU	Renting and refurbishing of commercial premises in Wanchai	\$35,402,000	7 Dec 2001 by FC
2	HKU	Purchasing and refurbishing of commercial premises in North Point	\$176,124,000	7 Dec 2001 by FC
3	HKBU	Purchasing and refurbishing of commercial premises in Kowloon Tong	\$86,201,000	7 Dec 2001 by FC
4	Poly U	Renting and refurbishing the professional Complex at Hunghom Campus	\$32,700,000	7 Dec 2001 by FC
5	Lingnan U	Renting and refurbishing of commercial premises in Tuen Mun and Causeway Bay	\$10,597,000	7 Dec 2001 by FC
6	Lingnan U	Construction of new buildings in Tuen Mun Main Campus	\$205,735,000	7 Dec 2001 by FC
7	HKIEd	Renting and refurbishing of commercial premises in Tai Kok Tsui	\$15,000,000	26 Mar 2002 by SED
8	CUHK	Purchasing and refurbishing commercial premises in Central	\$135,274,000	26 Apr 2002 by FC
9	Caritas-HK	Renting and refurbishing of commercial premises at MTR Kowloon Station	\$15,000,000	21 Jun 2002 by SED
10	City U	Renting and refurbishing of commercial premises in Kowloon Bay	\$44,756,000	21 Jun 2002 by FC
11	VTC	Construction of new buildings in IVE Tsing Yi Campus	\$266,400,000	21 Jun 2002 by FC
12	IEAEF	Renting and refurbishing of commercial premises in Cheung Sha Wan and TST	\$7,148,000	30 Dec 2002 by SED
13	ELI	Renting and refurbishing of commercial premises in Causeway Bay	\$4,000,000	4 Mar 2003 by SED
14	HKU	Construction of new campus in Kowloon Bay	\$279,256,000	27 Jun 2003 by FC
15	HKBU	Construction of new campus in Shek Mun, Shatin	\$359,200,000	27 Jun 2003 by FC
16	Caritas-HK	Construction of new campus in TKO Area 73B	\$188,000,000	27 Jun 2003 by FC
17	Poly U	Construction of new campus in Hunghom	\$424,714,000	27 Jun 2003 by FC
18	CUHK-TW GH CC	Construction of new campuses in Mongkok	\$346,050,000	5 Dec 2003 by FC
19	Poly U	Construction of new campus in West Kowloon	\$458,100,000	4 Mar 2005 by FC
20	City U	Construction of new building in Kowloon Tong Main Campus	\$599,500,000	24 Jun 2005 by FC
21	PLK	Construction of new building at PLK's HQ in Causeway Bay	\$254,000,000	24 Jun 2005 by FC
22	OUHK	Construction of new building in Ho Man Tin Main Campus	\$120,000,000	24 Jun 2005 by FC
23	HKCT	Renting and refurbishing of commercial premises in Hunghom	\$10,875,000	3 Jan 2006 by SED
24	HSSC	Construction of new building in Siu Lek Yuen Campus	\$32,400,000	24 Mar 2006 by FC
25	CUHK	Renting and refurbishing of commercial premises in Central	\$22,743,000	24 Mar 2006 by FC
Total:			\$4,129,175,000	-

Annex B

Vetting Committee for Start-up Loan for Post-secondary Education Providers

Terms of Reference

1. To examine and assess applications for start-up loans for post-secondary education providers in accordance with prevailing policies, and advise the Secretary for Education (SED) 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 SED 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 SED on any other matters that may be referred to Vetting Committee by the Education Bureau concerning the policy and execution of the post-secondary loan scheme.

Membership

Chairman : Professor TAM Man Kwan, BBS, J.P.

Members : **Non-officials**

Mr KUNG Lin Cheng, Leo, J.P.
Mr LIAO Cheung Kong, Martin, J.P.
Mr WONG Tak Wai, Alvin
Ms CHEUNG Sau Yu, Stephanie

Official

Principal Assistant Secretary (Further Education), EDB

Annex C

Vetting Criteria for Start-up Loan Scheme

- (a) Proposed use of the loan (i.e. enhancement to teaching and ancillary facilities, and/or reprovision of existing campus operating in sub-optimal environment);
- (b) The estimated start-up costs; and
- (c) The financial viability of the applicant

Annex D1

Programme List of Chu Hai College of Higher Education to be operated at the new campus

Associate of Science in Computer Science

Associate of General Studies

Bachelor of Arts (Hons) in Chinese Literature

Bachelor of Arts (Hons) in Journalism and Communication

Bachelor of Commerce (Hons) in Accounting and Banking

Bachelor of Business Administration (Hons)

BBA (Hons) in Finance

BBA (Hons) in Business Information Systems

Bachelor of Engineering (Hons) in Civil Engineering

Bachelor of Science (Hons) in Architecture

Bachelor of Architecture (Hons)

Bachelor of Science (Hons) in Computer Science

Annex D2

Programme list of HKU SPACE Community College to be operated at the new campus

- HD in Engineering
- HD in IT (Networking Stream)
- HD in Logistics (Supply Chain & IT Management)
- HD in Logistics and Transport Operations
- HD in Library and Information Management
- HD in Translation and Interpretation

Annex D3

Programme list of Hong Kong College of Technology to be operated at the new campus

AD in Social Work

HD in Accounting

HD in Accounting (with Banking)

HD in Business (Finance)

HD in Business (China Business)

HD in Business (Marketing)

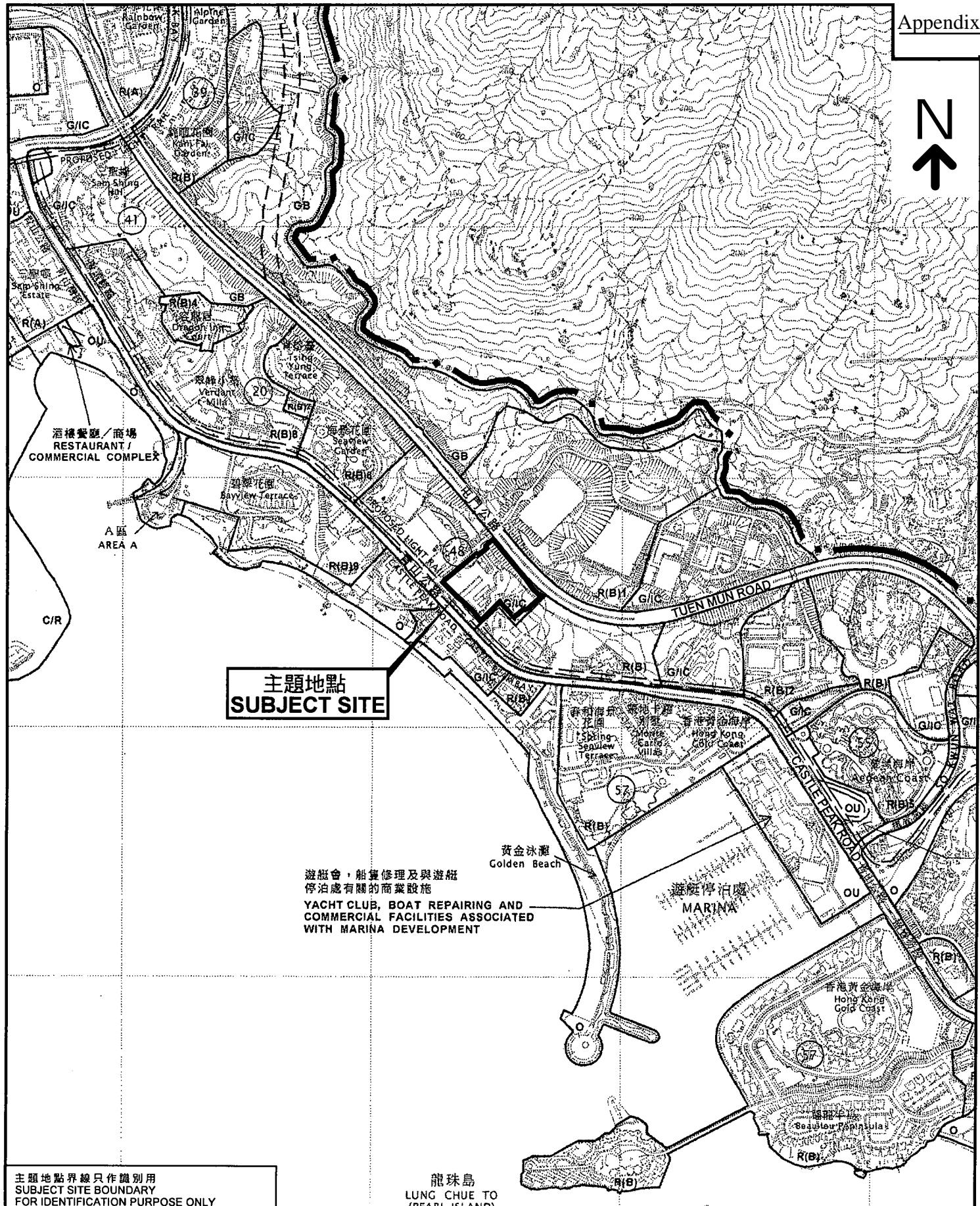
HD in Computer Studies

HD in Creative Design (Integrated Graphic Communication)

HD in Creative Design (Hair and Image Styling)

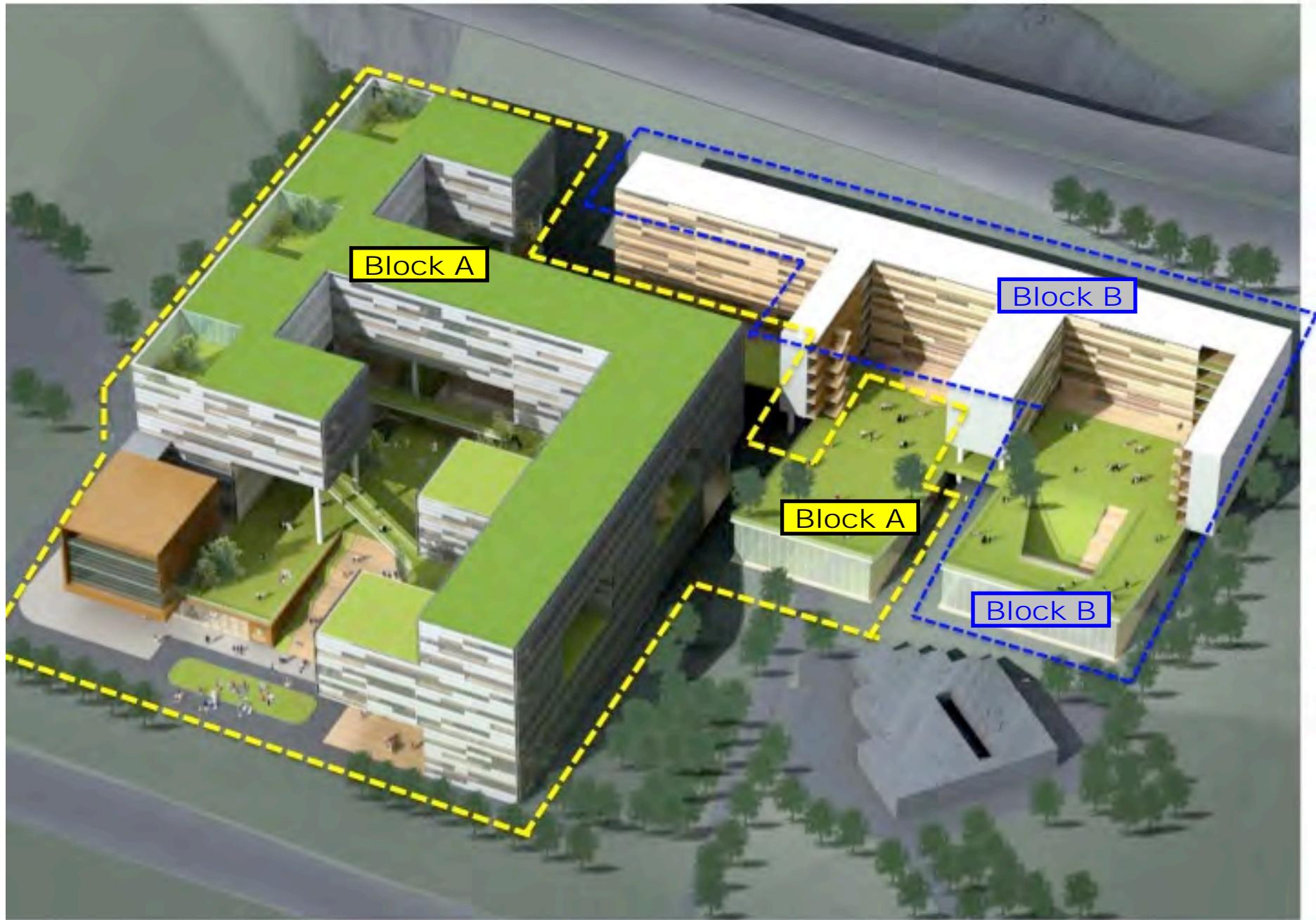
HD in Tourism Management (Tourism Business)

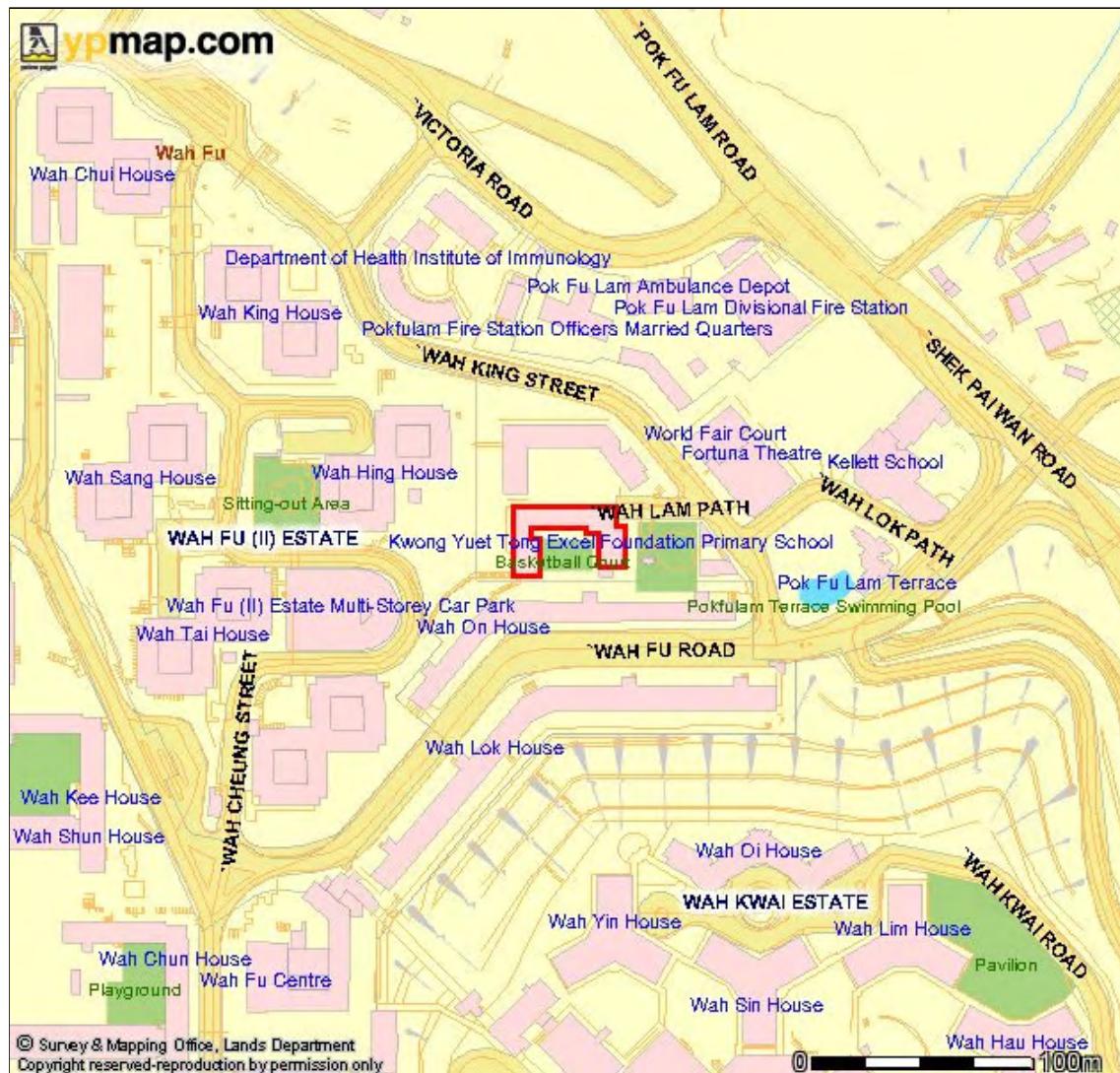
HD in Tourism Management (Hospitality)



<p>本摘要圖於2008年7月18日擬備，所根據的資料為於2008年7月4日展示的分區計劃大綱圖編號 S/TM/24 EXTRACT PLAN PREPARED ON 18.7.2008 BASED ON OUTLINE ZONING PLAN No. S/TM/24 EXHIBITED ON 4.7.2008</p>	<p>位置圖 LOCATION PLAN TM AREA 48 SITE B (NEAR CAFETERIA NEW BEACH) - TME STUDY SITE 1</p> <p>SCALE 1: 10 000 比例尺 METRES 100 0 100 200 300 400 500 METRES</p>	<p>規劃署 PLANNING DEPARTMENT</p> <p>參考編號 REFERENCE No. M/NT/07/28</p> <p>PLAN</p>
--	--	---







Name: Kwong Yuet Tong Excel Foundation Primary School
Address: Podium, Wah Fu Estate, 3 Wah Lam Path, Aberdeen, HK



Name: Ho Fai Primary School (Sponsored by Sik Sik Yuen)

Address: Yiu On Estate, Ma On Shan, NT