

**For discussion
on 10 January 2011**

**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 \$625 million to cover the costs of constructing purpose-built campuses mainly for the operation of full-time locally accredited degree programmes –

- (a) \$317 million to The Open University of Hong Kong (OUHK); and
- (b) \$308 million to the Hang Seng School of Commerce (HSSC) for the operation of Hang Seng Management College (HSMC).

BACKGROUND

2. To promote the development of the self-financing post-secondary sector in Hong Kong, the Administration has launched various support measures. In July 2001, the FC approved a commitment of \$5,000 million for the Start-up Loan Scheme (SLS), which provides interest-free loans to help non-profit-making post-secondary education providers to meet the start-up costs, including purchasing, renting or building campuses, as well as for enhancing teaching and other ancillary facilities. In February 2010, the FC approved an increase of \$2,000 million in the commitment for the SLS to meet the prospective loan requirements from institutions for the development of degree programmes.

3. Since the introduction of the SLS, FC has already approved 23 loans to 14 institutions, amounting to about \$4,496 million in total. In addition, the Secretary for Education (SED) has approved under delegated authority¹ a total of six loan applications amounting to about \$58 million in total. The list of Start-up Loans approved is at Annex A. As at the end of November 2010, a total of \$992 million has been repaid and all repayments have been made on time.

¹ As approved by the FC in July 2001 vide FCR(2001-02)30, SED can under delegated authority approve applications at or below \$15 million.

JUSTIFICATIONS

4. We launched the latest round of Start-up Loan application exercise in March 2010. The applications have been assessed by an independent Vetting Committee. The terms of reference and membership of the Vetting Committee are at Annex B, and the selection criteria adopted by the Vetting Committee are at Annex C. Having regard to the advice of the Vetting Committee, SED plans to recommend for FC's approval the granting of a loan of \$317 million to OUHK and a loan of \$308 million to HSSC. Details on the use of the loans are set out in the paragraphs below.

The Open University of Hong Kong

5. First established as the Open Learning Institute of Hong Kong in 1989, OUHK provides sub-degree, degree and postgraduate study opportunities through distance learning to working adults in Hong Kong. Governed by The Open University of Hong Kong Ordinance (Cap. 1145), OUHK attained self-accrediting status in October 1996 and the current university title in May 1997. The institution has been providing degree programmes since 2003 and currently operates 29 full-time bachelor's degree programmes on campus. OUHK was approved a Start-up Loan of \$120 million in June 2005 for the development of its Campus Phase II. It has started repaying the loan in 2009 in 10 instalments for 10 years and all repayments have been made on time.

6. OUHK now applies for a Start-up Loan to fund half of the construction costs of a new purpose-built campus at Ho Man Tin. The location map of the campus is at Annex D1. The area of the concerned site is around 4 300 square meters. OUHK proposes to construct an 11-storey academic and administration building with a total gross floor area (GFA) of about 21 500 square meters. The total construction cost of the new building is estimated to be \$634 million.

7. The new campus can serve up to about 2 400 students. OUHK proposes to offer six degree and one higher diploma programmes there (please see Annex D2 for the list of programmes). Subject to FC's approval, the construction works will commence in the third quarter of 2011 and the new campus will be put into operation in the 2013/14 academic year. It is estimated that the total enrolment in the new campus will increase from 950 students in the 2013/14 academic year to 2 400 starting from the 2018/19 academic year. The existing and new campuses, of a total GFA of 54,500 square meters, will be used by a total of 6 150 students.

8. We are of the view that OUHK's proposed new campus will increase the provision of self-financing degree places in Hong Kong and improve the learning environment of some of its existing sub-degree students. The seven programmes to be offered in the new campus also support the development of three of the six priority industries, i.e. testing and certification, medical services and cultural and creative industries as announced by the Chief Executive. Supporting the construction of OUHK's new campus is in line with the Government's policy of promoting the healthy development of the self-financing post-secondary sector, thereby providing our students with more choices and opportunities and facilitating the diversification of the higher education sector. We recommend granting a **Start-up Loan of \$317 million to OUHK**.

Hang Seng School of Commerce for the operation of Hang Seng Management College

9. HSSC was founded in 1980 to provide mainly business diploma courses. It started to provide matriculation courses in 1992 and associate degree and pre-associate degree courses in 2003 and 2005 respectively. HSMC, a newly established entity, is wholly owned by HSSC for the operation of self-financing degree programmes. Following the approval of the Chief Executive-in-Council in May 2010, HSMC has been registered under the Post-secondary Colleges Ordinance (Cap. 320) and has offered three bachelor's degree programmes starting from the 2010/11 academic year. HSSC was approved a Start-up Loan of \$32.4 million in March 2006 for constructing an extension of a teaching block in its existing Siu Lek Yuen campus. It started repaying the loan in 2009 in 10 instalments for 10 years and all repayments have been made on time.

10. HSSC applies for a Start-up Loan to fund the construction costs of a new purpose-built campus at Siu Lek Yuen, a land site adjacent to its existing campus. The location map of the campus is at Annex E1. The area of the concerned site is around 6 000 square meters. HSSC proposes to construct a teaching block with customized teaching and learning facilities simulating the dynamic business world. These facilities include Trading Floor, Model Bank, TV Studio, Audio Studio and Supply Chain Management Laboratory, etc, with a GFA of about 11 200 square meters. The total construction cost of the new building is estimated to be \$308 million.

11. HSSC's existing campus can accommodate 2 000 students and the new campus is planned to serve up to 1 500 students. HSMC proposes to offer two sub-degree programmes and four degree programmes in the two campuses (see Annex E2 for the list of programmes). The institution plans to

commence the construction works in early 2012 and put the new campus into operation in the 2013/14 academic year. It estimates that the total enrolment will increase from 2 075 students in the 2013/14 academic year to 3 600 in the 2019/20 academic year.

12. We are of the view that HSMC's new campus will both increase the provision of self-financing degree places in Hong Kong and enhance the quality of the learning environment for its existing students. There are possible synergies between the existing and new campuses, which are adjoining each other. Supporting the construction of HSMC's new campus is also in line with the Government's policy of promoting the healthy development of the self-financing sector, thereby widening the choice and opportunities for our students and facilitating the diversification of the higher education sector. We recommend granting **a Start-up Loan of \$308 million to HSSC**.

FINANCIAL IMPLICATIONS

13. As approved by the FC in July 2001, loans to be granted under the SLS will be interest-free, to be repaid by installments over ten years from the date of the final drawdown. In May 2008, FC approved that loans granted on or before May 2008 might be eligible for extension of repayment period from 10 years to no more than 20 years subject to proven financial difficulty of the borrowing institutions. Subsequently, the FC also approved in February 2010 an extension of the loan repayment period to no more than 20 years for institutions borrowing loans after May 2008 for constructing new college premises, subject to proven financial difficulties and payment of first five repayment instalments. Interest at the no-gain-no-loss rate after the interest-free period in the first ten years is applied to all borrowing institutions approved with an extension of their loan repayment period.

14. Subject to the actual construction schedule of the two institutions, the tentative loan disbursement schedules are as follows –

Institution	FY 2011-12 \$ million	FY 2012-13 \$ million	FY 2013-14 \$ million	Total \$ million
OUHK	64.7	219.8	32.5	317
HSSC	193	61	54	308

15. Assuming no application for extension of repayment period, we estimate that the total interest foregone for granting the above loans will be around \$89 million calculated on the basis of the “no-gain-no-loss” interest

rate, currently at 2.099% per annum. There are no recurrent financial implications.

WAY FORWARD

16. If Members have no objection, we intend to submit the proposal to the FC for approval on 28 January 2011.

**Education Bureau
January 2011**

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

Loan No.	Applicant	Premises	Loan Amount	Date of Approval
1	The University of Hong Kong	Renting and renovating a commercial premises in Wanchai	\$35,402,000	7 Dec 2001 by Finance Committee (FC)
2	The University of Hong Kong	Purchasing and renovating a commercial premises in North Point	\$176,124,000	7 Dec 2001 by FC
3	Hong Kong Baptist University	Purchasing and renovating a commercial premises in Kowloon Tong	\$86,201,000	7 Dec 2001 by FC
4	The Hong Kong Polytechnic University	Renting and renovating Professional Complex at Hunghom Campus	\$32,700,000	7 Dec 2001 by FC
5	Lingnan University	Renting and renovating a commercial premises in Tuen Mun and Causeway Bay	\$10,597,000	7 Dec 2001 by FC
6	Lingnan University	Constructing new buildings in Tuen Mun Main campus	\$205,735,000	7 Dec 2001 by FC
7	The Hong Kong Institute of Education	Renting and renovating a commercial premises in Tai Kok Tsui	\$15,000,000	26 Mar 2002 by SEM
8	The Chinese University of Hong Kong	Purchasing and renovating a commercial premises in Central	\$135,274,000	26 Apr 2002 by FC
9	Caritas-Hong Kong	Renting and renovating a commercial premises at MTR Kowloon Station	\$15,000,000	21 Jun 2002 by SEM
10	City University of Hong Kong	Renting and renovating a commercial premises in Kowloon Bay	\$44,756,000	21 Jun 2002 by FC
11	Vocational Training Council	Constructing new buildings in IVE Tsing Yi Campus	\$266,400,000	21 Jun 2002 by FC
12	International Education and Academic Exchange Foundation Company Limited	Renting and renovating a commercial premises in Cheung Sha Wan and TST	\$7,148,000	30 Dec 2002 by Secretary for Education & Manpower (SEM)
13	Education and Learning Institute (Hong Kong) Limited	Renting and renovating a commercial premises in Causeway Bay	\$4,000,000	4 Mar 2003 by SEM
14	The University of Hong Kong	Constructing a new campus in Kowloon Bay	\$279,256,000	27 June 2003 by FC
15	Hong Kong Baptist University	Constructing a new campus in Shek Mun, Shatin	\$359,200,000	27 June 2003 by FC

Loan No.	Applicant	Premises	Loan Amount	Date of Approval
16	Caritas - Hong Kong	Constructing a new campus in TKO Area 73B	\$188,000,000	27 June 2003 by FC
17	The Hong Kong Polytechnic University	Constructing a new campus in Hunghom	\$424,714,000	27 June 2003 by FC
18	The Chinese University of Hong Kong-Tung Wah Group of Hospitals Community College	Constructing a new campus in Mongkok	\$346,050,000	5 Dec 2003 by FC
19	The Hong Kong Polytechnic University	Constructing a new campus in West Kowloon	\$458,100,000	4 Mar 2005 by FC
20	City University of Hong Kong	Constructing new buildings in its Kowloon Tong main campus	\$599,500,000	24 Jun 2005 by FC
21	Po Leung Kuk (for The HKUSPACE – Po Leung Kuk Community College)	Constructing new buildings in its HQ in Causeway Bay	\$254,000,000	24 Jun 2005 by FC
22	The Open University of Hong Kong	Constructing new buildings in its Ho Man Tin campus	\$120,000,000	24 Jun 2005 by FC
23	HKCT Group Ltd. (for Hong Kong College of Technology)	Renting and renovating a commercial premises in Hunghom	\$10,875,000	3 Jan 2006 by SEM
24	Hang Seng School of Commerce	Constructing a new building in its Siu Lek Yuen campus	\$32,400,000	24 Mar 2006 by FC
25	The Chinese University of Hong Kong	Renting and renovating a commercial premises in Central	\$22,743,000	24 Mar 2006 by FC
26	Hong Kong Arts Centre	Renovating the ex-premises of PLK Ho To Shui Hing Primary School in Shaukeiwan	\$5,500,000	16 Feb 2009 by Secretary for Education
27	Hong Kong College of Technology	Renovating the ex-premises of Ho Fai Primary (sponsored by Sik Sik Yuen) in Ma On Shan	\$29,000,000	19 Jun 2009 by FC
28	The University of Hong Kong	Renovating the ex-premises of Kwong Yuet Tong Excel Foundation Primary School in Pokfulam	\$40,344,000	19 Jun 2009 by FC
29	Chu Hai College of Higher Education	Constructing a new campus in Tuen Mun East	\$350,000,000	19 Jun 2009 by FC
Total Loan Amount approved:			\$4,554,019,000	

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

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 (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

Ms. CHEUNG Sau Yu, Stephanie
Mr HUI Ho Ming, Herbert, J.P.
Mr. KUNG Lin Cheng, Leo, J.P.
Mr LAI Yuk Fai, Stephen
Ms LEUNG Alee, Jacqueline
Mr. WONG Tak Wai, Alvin

Official

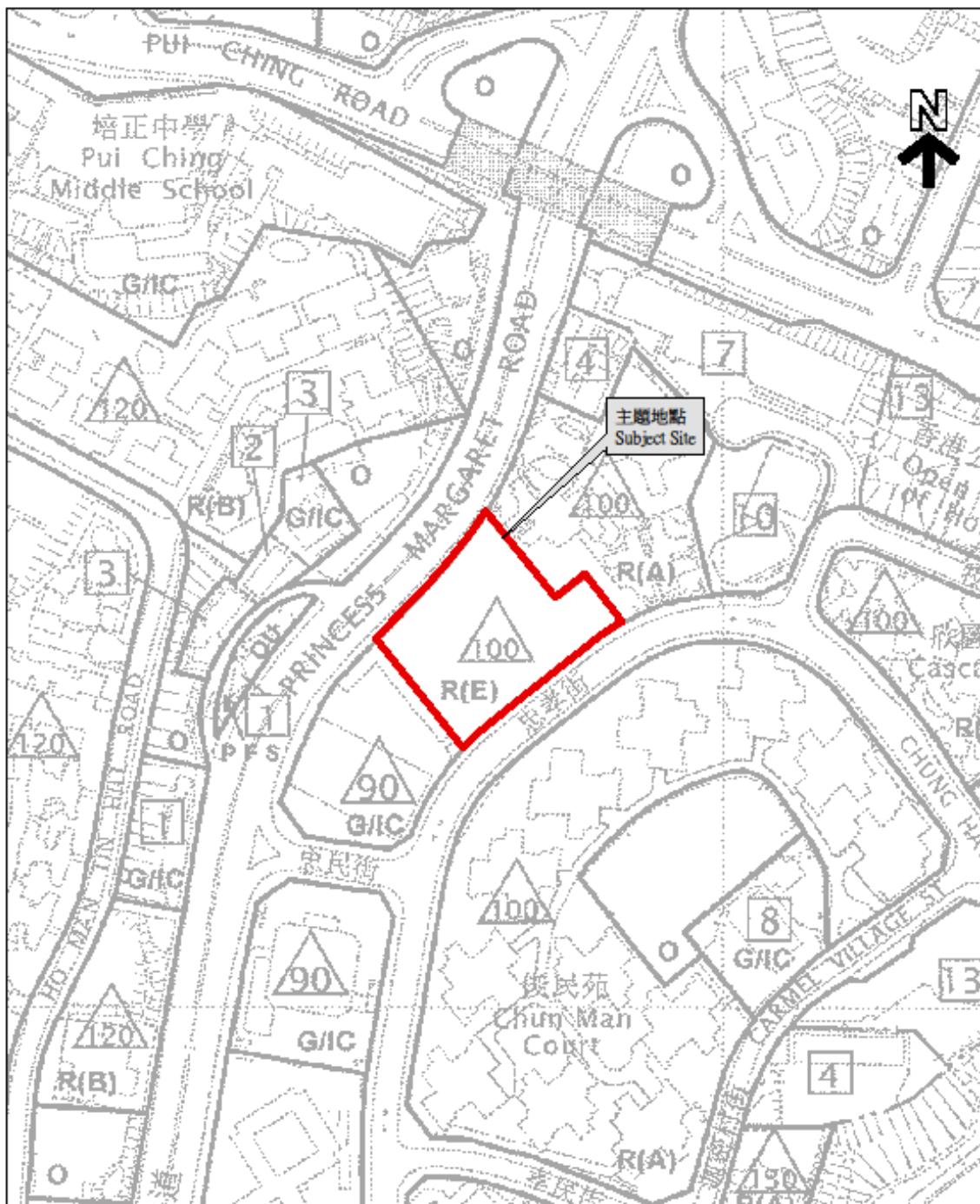
Principal Assistant Secretary (Further Education), EDB

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



Reference	位置圖 Location Plan	KOWLOON DISTRICT PLANNING OFFICE PLANNING DEPARTMENT
Extracted from OZP Plan No. : S/K7/20 Exhibition Date : 15-May-2009	"Residential (Group E)" Site 81 Chung Hau Street Scale 1: 2000 主題地點線只作識別用 Subject Site Boundary For Identification Purpose Only	
Date : 15-December-2010		Plan 1

Annex D2

List of programmes to be operated by The Open University of Hong Kong at the new campus

BA (Hons) in Advertising and Media Studies

BA (Hons) in Animation and Graphic Design

BA (Hons) in Photography and Visual Arts

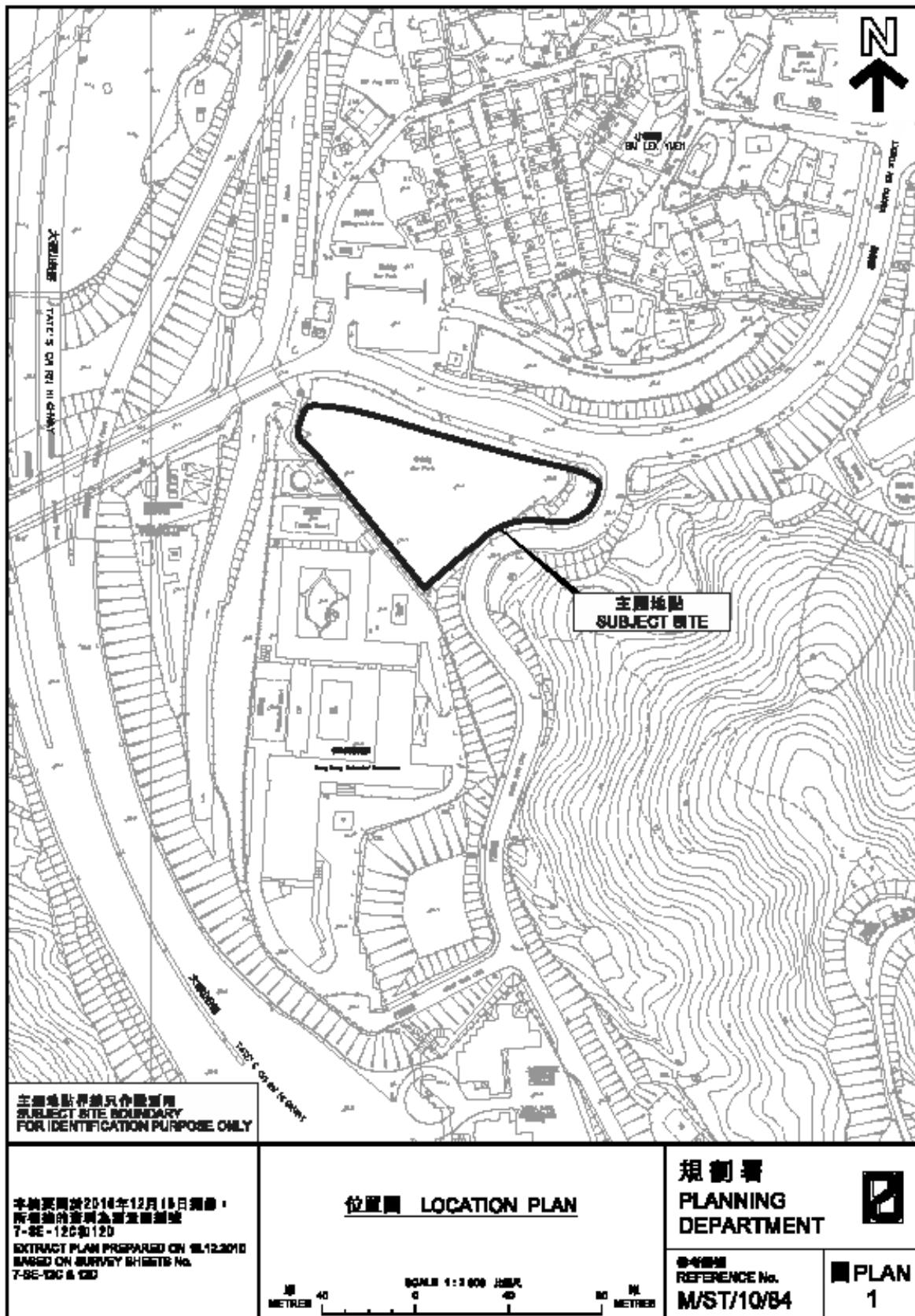
BSc (Hons) in Testing and Certification Technology (Engineering Materials)

BSc (Hons) in Testing and Certification Technology (Produce Design)

Bachelor of Nursing (Hons) (General/Mental Health Care)

Higher Diploma in Nursing Studies (General/Mental Health Care)

Annex E1



Annex E2

List of programmes to be operated by Hang Seng Management College at Hang Seng School of Commerce's existing campus and the new campus

Bachelor of Business Administration (Hons)

Bachelor of Business Administration (Hons) in Supply Chain Management

Bachelor of Translation with Business (Hons)

Bachelor of Journalism and Communication (Hons)

Associate in Business Administration

Pre-Associate Degree in Business Administration