

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 –

- (a) a short-term loan and a medium-term loan to the University of Hong Kong to cover the cost of renting and purchasing premises for Associate Degree, Higher Diploma and Professional Diploma programmes offered by its School of Professional and Continuing Education;
- (b) a medium term loan to the Hong Kong Baptist University to cover the cost of purchasing premises for Associate Degree programmes offered by its School of Continuing Education;
- (c) a short-term loan to the Hong Kong Polytechnic University to cover the cost of renting premises for its Associate Degree programmes; and
- (d) a short-term loan and a medium term loan to the Lingnan University to cover the cost of renting and constructing accommodation for its Associate Degree 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. So far, there are 39 self-financing programmes at sub-degree level or above providing about 7 000 places for our senior secondary school leavers.

4. We invited applications from course providers for the start-up loan scheme in August 2001. The Secretary for Education and Manpower (SEM) has set up a Vetting Committee in September 2001 to assess all loan applications and to advise the loan amount for each case. Its terms of reference and membership are set out at **Enclosure 1**. A total of eight applications were received when the first round of the application exercise closed on 15 September 2001. The Vetting Committee considered the applications carefully and the SEM accepted its advice and recommendations. As approved by the FC on 6 July 2001, 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. In this regard, we will be seeking FC's approval of four applications involving a loan amount of over \$15 million each on 7 December 2001.

5. 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 as approved by the FC (see **Enclosure 2**). With these parameters, the Vetting Committee has examined each application having regard to the projected student population and the proposed use of the loan, and recommended the loan amount, if any, in each case.

The University of Hong Kong (HKU)

6. HKU has applied for a short-term loan of \$36,464,630 to cover the rental cost of premises and refurbishment and equipment costs for the setting up of a School of Professional and Continuing Education (SPACE) Wanchai Learning Centre. The Centre will accommodate 1 200 students enrolled in self-financing sub-degree programmes. In parallel, HKU has applied for a medium-term loan of \$200 million for the purchase price, refurbishment and equipment costs of a commercial building in North Point, which can accommodate a further 1 300 sub-degree students. Having regard to the good track record of HKU in offering self-financing post-secondary programmes, the Vetting Committee advised and we recommend –

- (a) approval of a short-term loan of \$35,402,000 comprising -
 - (i) \$15,158,000 for the rental cost, management fee and air-conditioning charge of the Wanchai Learning Centre; and
 - (ii) \$20,244,000 for the refurbishment and equipment costs for 1 200 student places (loan ceiling of \$16,870 x 1 200 student places);
- (b) approval of a medium term loan of \$176,124,000, comprising \$152 million for the purchase price of a commercial building, and \$24,124,000 for the refurbishment and equipment costs for 1 300 student places (loan ceiling of \$18,557 for equipment intensive or science programmes x 1 300 student places).

The Hong Kong Baptist University (HKBU)

7. HKBU has applied for a medium-term loan of \$100 million for the purchase of 43,000 square feet at a building in Kowloon Tong. The premises is used for reprovisioning the administrative offices of the University's School of Continuing Education (SCE) currently accommodated in the SCE Tower and David C. Lam Building which were built on the University campus using private funds. The vacated premises of approximately 42,000 square feet will be used to accommodate 900 students enrolled in self-financing Associate Degree programmes. The loan amount includes \$69.5 million for the purchase cost of premises, and \$30.5 million for the refurbishment and equipment costs of the purchased premises, the SCE Tower and the David C. Lam Building.

The Vetting Committee believes that the decanting arrangement has good educational merits because it would allow Associate Degree students easy access to teaching staff and the facilities within the main University campus. The alternative is for HKBU to run the self-financing programmes in the newly purchased premises. Nevertheless, this is less desirable because the benefits of proximity to the main campus will be lost. The Vetting Committee advised and we recommend approval of a medium-term loan of \$86,201,000 comprising –

- (a) \$69.5 million for the purchase cost and related expenses of the accommodation at the building in Kowloon Tong; and
- (b) \$16,701,000 for the refurbishment and equipment costs of 900 student places (loan ceiling of \$18,557 for equipment intensive or science programmes x 900 student places).

The Hong Kong Polytechnic University (PolyU)

8. Based on the projected student population of 690 for 2002/03 and 800 for 2003/04 for its self-financing Associate Degree programmes, PolyU has applied for a short-term loan of \$32.7 million to cover the cost of renting accommodation in its Professional Complex (which is being built within the University campus using private funds) for two years and refurbishment and equipment costs. The Vetting Committee advised and we recommend approval of a short-term loan of \$32.7 million comprising -

- (a) \$20.7 million for the rental cost of accommodation at PolyU's Professional Complex; and
- (b) \$12 million for the refurbishment and equipment costs for 800 student places.

Lingnan University (LU)

9. LU has applied for a short-term loan of \$10,597,000 to cover the cost of renting commercial premises in Tuen Mun and the refurbishment and equipment costs to cope with a student population of 450 for its self-financing Associate Degree programmes in 2002/03.

10. It has also applied for a medium-term loan of \$219,500,000 to build additional premises totalling 12 000 square metres to accommodate a total

of 1 200 sub-degree students within its Tuen Mun campus. The Vetting Committee advised and we recommend –

- (a) approving the application for a short-term loan of \$10,597,000 comprising –
 - (i) \$4,107,000 for the rental cost of commercial premises in Tuen Mun; and
 - (ii) \$6,490,000 for the refurbishment and equipment costs for 450 student places.
- (b) approving a medium-term loan of \$205,735,000 comprising –
 - (i) \$183,467,000 for the building costs of additional premises at LU's Tuen Mun campus (within loan ceiling of \$165,099 for equipment intensive or science programmes x 1 200 student places); and
 - (ii) \$22,268,000 for the refurbishment and equipment costs (loan ceiling of \$18,557 for equipment intensive or science programmes x 1 200 student places).

Other applications

11. On the advice of the Vetting Committee, SEM will exercise her delegated authority to approve one application for a short-term loan of \$4,555,000 from the Hong Kong College of Technology. Consideration of three applications are deferred because the institutions have not yet been successfully accredited by the Hong Kong Council for Academic Accreditation, or the development plan is being revised.

12. A summary of the first application exercise is at **Enclosure 3**.

Execution of Legal Documentation

13. Successful applicants for the start-up loan will be required to provide security and enter into a loan agreement with the Government. The applicant may offer landed property as security. Where there is no landed property or if the property is of insufficient security, the borrower will be

required to give an irrevocable and unconditional guarantee for the repayment of the loan and to execute an “Assignment of Receivables” incorporating a first floating charge over its undertaking, property and assets of the Assignor (i.e. the successful borrower).

FINANCIAL IMPLICATIONS

14. Subject to FC’s approval, a provision of \$546,759,000 will be required, including \$78,699,000 of short-term loans and \$468,060,000 of medium-term loans under Head 252 – Loans to Schools/Teachers Subhead 106 Start-up loan for post-secondary education providers.

15. There are no recurrent implications.

**Education and Manpower Bureau
November 2001**

Enclosure 1**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.

Enclosure 2

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 <hr/> \$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 office per student (b) Refurbishment and equipment costs per student	\$150,090 \$16,870 <hr/> \$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

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

Number of applications received	8
Total amount of short-term loans applied	\$127,956,000
Total amount of medium-term loans applied	\$1,400,178,000
Total amount of loans applied	\$1,528,134,000
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Number of applications to be approved by SEM under delegated authority	1
Amount of short-term loan to be approved by SEM under delegated authority	\$4,555,000
Total amount of loans to be approved by SEM	\$4,555,000
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Number of applications proposed for approval by the Finance Committee	4
Amount of short-term loan proposed for approval by the Finance Committee	\$78,699,000
Amount of medium-term loan proposed for approval by the Finance Committee	\$468,060,000
Total amount of loan proposed for approval by the Finance Committee	\$546,759,000