

**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) to provide from the Loan Fund the following medium-term loans totaling \$1,251,170,000, to cover the costs of purpose-built accommodation, equipment and refurbishment, for launching new and expanded Associate Degree / Higher Diploma programmes –

- (a) \$279,256,000 to the University of Hong Kong;
- (b) \$359,200,000 to the Hong Kong Baptist University;
- (c) \$188,000,000 to the Caritas – Hong Kong; and
- (d) \$424,714,000 to the Hong Kong Polytechnic University.

**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 the next 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. There are 84 self-financing programmes at sub-degree level or above in the 2002/03 academic year providing about 9 000 places for our senior secondary school leavers.

4. As approved by the FC on 6 July 2001, the Secretary for Education and Manpower (SEM) can under delegated authority approve applications for loans not exceeding \$15 million. Approval by FC is required where an application for loan exceeds \$15 million, or where the amount of loan applied for, together with the outstanding loan balance for the same provider, exceed \$15 million. We set up a Vetting Committee (VC) in September 2001 to assess all loan applications and advise the SEM on whether the loan applications should be approved. The terms of reference and membership of the VC are at **Enclosure 1**.

5. On 7 December 2001, 26 April 2002 and 21 June 2002, the FC approved a total of nine loan applications from seven institutions for \$993,189,000. SEM approved under delegated authority a total of four loan applications from four institutions for \$50,895,000.

### **THE FIFTH START-UP LOAN APPLICATION EXERCISE**

6. We launched the fifth Start-up Loan application exercise in December 2002, concurrently with an application exercise for the grant by private treaty of five sites for the construction of purpose-built premises for non-profit-making post-secondary education providers. At the close of applications on 28 February 2003, a total of 11 applications were received from nine post-secondary education providers. On the advice of a selection committee, comprising six non-officials (including the Chairman) and one official member, SEM accepted the

recommendations that a total of four applicants should be earmarked as the proposed grantees for four sites. Having regard to the advice of the VC, SEM recommends also the granting of start-up loans to these four applicants.

7. In considering the applications, the VC has followed 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 place loan ceilings (**Enclosure 2**). It has also taken into account the projected student population, the proposed use of the loan, the estimated start-up costs and the financial viability of each application.

## **THE UNIVERSITY OF HONG KONG (HKU)**

8. With a short-term loan of \$35,402,000, the School of Professional and Continuing Education (SPACE) of the HKU set up a temporary Learning Centre for its Community College in Wanchai in the 2001/02 academic year to provide 1 200 self-financing sub-degree student places. HKU also obtained a medium term loan of \$176,124,000 to purchase a campus in North Point, which commenced operation in the 2002/03 academic year for a further 1 300 sub-degree student places. The Community College offers a wide range of Associate Degree and Higher Diploma programmes that meet the market demand, and enrolled more than 2 500 and 3 600 students in 2001/02 and 2002/03 respectively. In this application exercise, HKU has applied for a separate medium-term loan of \$339,960,000 to construct a purpose-built campus, with a total gross floor area of 15 577 square meters, at the site of the proposed land grant at NKIL No.6429, J/O Lam Hing Street and Wang Hoi Road, Kowloon Bay to provide permanent accommodation for its SPACE Community College from the 2006/07 academic year. HKU plans to house students of the Pre-Associate Degree programmes at its Learning Centre in Wanchai, and the Higher Diploma students in North Point. The proposed permanent campus at Kowloon Bay will accommodate all its Associate Degree students.

9. The VC advised and we recommend the approval of a medium-term loan of \$279,256,000 catering for a student population of 2 000 in the SPACE Community College Kowloon Bay campus, in addition to the 1 300 places accommodated at the North Point campus.

The loan comprises –

- (a) \$242,780,000 for the construction and related costs; and
- (b) \$36,476,000 for the refurbishment and equipment costs.

10. The VC recommended a lower amount than that applied for, in order to comply with the loan ceiling per student place approved for refurbishment and equipment costs applicable to equipment intensive or science programmes.

### **THE HONG KONG BAPTIST UNIVERSITY (HKBU)**

11. With the assistance of a medium-term loan of \$86,201,000, the College of International School of HKBU's School of Continuing Education is offering full-time Associate Degree programmes on a self-financing basis. More than 1 200 students are enrolled in the 2002/03 academic year. HKBU has applied for a separate medium-term loan of \$359,200,000 to construct a purpose-built campus with teaching and sports facilities for the College of a total gross floor area of 23 350 square meters at the site for the proposed land grant at STTL No.540, Area 11, Shek Mun, Sha Tin. The proposed campus is scheduled for commissioning from the 2006/07 academic year to accommodate up to 2 400 additional student places.

12. The VC advised and we recommend the approval of a medium-term loan of \$359,200,000 catering for an additional student population of 2 400 in the College of International School. The loan comprises –

- (a) \$326,200,000 for the construction and related costs; and
- (b) \$33,000,000 for the refurbishment and equipment costs.

### **CARITAS – HONG KONG (CARITAS)**

13. With a short-term loan of \$15,000,000, Caritas Bianchi College of Careers (CBCC) has set up a temporary campus at MTR Kowloon Station to accommodate up to 526 students of its Associate Degree programmes. CBCC has an enrolment of 495 Associate Degree students in 2002/03 and it is expected that the student population will exceed the

accommodation capacity of its temporary campus from 2003/04 onwards. Caritas has applied for a medium-term loan of \$188 million to construct a purpose-built campus of a total gross floor area of 14 910 square meters, for CBCC at the site for the proposed land grant at TKOTL No.92, Area 73B in Tseung Kwan O. The proposed campus is scheduled for commissioning in the 2006/07 academic year to provide permanent accommodation for up to 1 434 student places.

14. The VC advised and we recommend the approval of a medium-term loan of a \$188 million catering for a student population of 1 434 in the CBCC. The loan comprises –

- (a) \$163,000,000 for the construction and related costs; and
- (b) \$25,000,000 for the refurbishment and equipment costs.

#### **THE HONG KONG POLYTECHNIC UNIVERISTY (POLY U)**

15. With a short-term loan of \$32,700,000, Poly U set up the Hong Kong Community College (HKCC) in 2001 in rented premises for 800 self-financing sub-degree student places. In 2002/03, Poly U has an enrolment of about 900 Associate Degree students. Poly U has applied for a medium-term loan of \$434 million to construct a purpose-built campus, with a total gross floor area of 26 132 square meters at the site for the proposed land grant at KIL No.11163, J/O Hung Lai Road and Hung Lok Road, Hunghom Bay Reclamation, to provide permanent accommodation from the 2007/08 academic year for up to 3 000 students.

16. The VC advised and we recommend the approval of a medium-term loan of \$424,714,000 catering for a student population of 3 000 in the HKCC. The loan comprises –

- (a) \$370,000,000 for the construction and related costs; and
- (b) \$54,714,000 for the refurbishment and equipment costs.

17. The VC recommended a lower amount than that applied for, in order to comply with the loan ceiling per student place approved for refurbishment and equipment costs applicable to equipment intensive or science programmes.

## OTHER APPLICATIONS

18. During the fifth application exercise, we received a total of 11 applications for start-up loans totaling \$3,187,182,000 in connection with their applications for land grants. As only the loan applications submitted by Applicants who were short-listed for land grant were processed by the VC, four applications have been processed for submission to the FC.

## FINANCIAL IMPLICATIONS

19. Subject to FC's approval, a provision of \$1,251,170,000 will be required for four medium-term loans under Head 252 – Loans to Schools/ Teachers Sub-head 106 Start-up Loan for post-secondary education providers. Having regard to the proposed use of the loan and the expenditure pattern submitted by the applicants, we estimate that the loan disbursement schedule will be as follows -

Institutions	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	Total
HKU		\$99,283,000	\$138,177,000	\$41,796,000			\$279,256,000
HKBU	\$57,200,000	\$171,400,000	\$58,800,000	\$71,800,000			\$359,200,000
Caritas	\$36,402,000	\$73,088,000	\$61,524,000	\$16,986,000			\$188,000,000
Poly U			\$106,000,000	\$227,000,000	\$87,000,000	\$4,714,000	\$424,714,000
<b>Total</b>	<b>\$93,602,000</b>	<b>\$343,771,000</b>	<b>\$364,501,000</b>	<b>\$357,582,000</b>	<b>\$87,000,000</b>	<b>\$4,714,000</b>	<b>\$1,251,170,000</b>

20. We estimate that the total interest foregone for granting the above proposed loans will be about \$253,415,000, calculated on the basis of an interest rate at “no-gain-no-loss” to Government, currently at 2.826% per annum. With effect from 1 June 2003, the “no-gain-no-loss” interest rate is set at 2.174% below the average best lending rate of the note issuing banks. The proposal has no recurrent financial implications.

Education and Manpower Bureau  
June 2003

**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 (Higher Education)

Secretary : Project Co-ordinator (Higher Education)

**Quorum**

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

**Enclosure 2****Loan Ceilings Per Student Place**

	<b>Parameters</b>	<b>Loan Ceiling (5<sup>th</sup> application exercise)</b>
(1)	Short-term Loan –	
	(a) Two-year rental cost of accommodation per student (Note 1)	\$29,270
	(b) Refurbishment and equipment costs per student (Note 2)	\$16,580
		\$45,850
(2)	Plus a margin of 10% for equipment-intensive or science subjects	\$50,430
(3)	Medium-term Loan –	
	(a) Purchase cost of class “C” commercial office per student (Note 1)	\$137,950
	(b) Refurbishment and equipment costs per student (Note 2)	\$16,580
		\$154,530
(4)	Plus a margin of 10% for equipment-intensive or science subjects	\$169,980

**Notes:**

1. The loan ceilings for the rental and purchase costs of accommodation are based on the average rental and purchase costs of class “C” commercial office. For 2002-03, SEM has, in accordance with the annual adjustment mechanism set out in FCR(2001-02)30, revised the loan ceilings based on updated data provided by the Rating and Valuation Department.
2. The loan ceilings for refurbishment and equipment costs were first set in 2001-02 with reference to the average costs borne by continuing and professional education providers. For 2002-03, SEM has, in accordance with the annual adjustment mechanism set out in FCR(2001-02)30, revised these loan ceilings based on movement of the Consumer Price Index (A) in the past year.