

**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 a loan of \$346,050,000 from the Loan Fund to the Chinese University of Hong Kong – Tung Wah Group of Hospitals Community College, to cover the costs of purpose-built accommodation, equipment and refurbishment, for launching new 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 to cover the costs of accommodation, equipment and refurbishment. So far, there are about 120 self-financing programmes at sub-degree level or above in 2003/04 academic year providing about 12 000 intake 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, exceeds \$15 million. We have set up a Vetting Committee (VC) 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 VC are set out at **Enclosure 1**.

5. On 7 December 2001, 26 April 2002, 21 June 2002 and 27 June 2003, the FC approved a total of thirteen loan applications from eight institutions at a total loan amount of \$2,244,359,000. SEM approved under delegated authority a total of four loan applications from four institutions at a total loan amount of \$50,895,000. We launched the sixth Start-up Loan application exercise in February 2003. At the close of applications on 31 March 2003, we received a total of two applications, including one new application and one re-submission from an applicant in the third application exercise. The Vetting Committee has deferred consideration of the re-submission pending the successful accreditation of the concerned institution/programmes and the provision of additional information by the applicant. The new application is the subject of this proposal.

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

## **THE CHINESE UNIVERSITY OF HONG KONG – TUNG WAH GROUP OF HOSPITALS COMMUNITY COLLEGE**

7. The Chinese University of Hong Kong (“CUHK”) – Tung Wah Group of Hospitals (“TWGHs”) Community College Limited is a company registered under the Companies Ordinance. It is a joint venture by CUHK and TWGHs. In accordance with the Agreement between CUHK and TWGHs, CUHK will be responsible for academic accreditation of the courses to be offered, curriculum and pedagogical design, quality assurance, outcome assessment, and articulation mechanism for students to continue their studies, while the TWGHs will be responsible for the operation of the College and the courses, start-up and recurrent funding and the development of college campuses. Being the partner primarily responsible for the College’s finance, TWGHs is also the sole guarantor of the proposed government loan. The associate degree programmes of the College would undergo the accreditation and quality assurance mechanism as applied to programmes leading to the same or similar awards by CUHK’s School of Continuing Studies.

8. The College has applied for a medium-term loan of \$346,050,000 to construct three new buildings with gross floor area totalling 19 386 square meters, at TWGHs’ sites in Hak Po Street and Wylie Road for development as a non-profit making post-secondary college. The proposed College is scheduled for commissioning in the 2005/06 academic year to provide permanent accommodation for up to 2 565 students.

9. We concur with the Vetting Committee that having regard to the quality assurance mechanism, and the CUHK’s good track record in running post-secondary programmes, a medium-term loan can be extended to the College. The Vetting Committee further advised and we recommend the approval of a medium-term loan of \$346,050,000

catering for a student population of 2 565 in the College. The loan comprises –

- (a) \$311,050,000 for the construction costs; and
- (b) \$35,000,000 for the refurbishment and equipment costs.

10. Members may also wish to note that when the College comes into operation in 2005/06 academic year, CUHK may transfer some of the Associate Degree programmes from its School of Continuing Studies to the College, so that its School of Continuing Studies could concentrate on Higher Diploma programmes using a loan previously approved by the Finance Committee for the running of 900 student places at post-secondary level. EMB, in consultation with the VC, will consider such a proposal as and when necessary.

## **FINANCIAL IMPLICATIONS**

11. Subject to FC's approval, a provision of \$346,050,000 will be required for one medium-term loan under Head 252 – Loans to Schools/ Teachers Sub-head 106 Start-up Loan for post-secondary education providers.

12. There are no recurrent implications for the government.

Education and Manpower Bureau  
November 2003

**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.

### Loan Ceilings Per Student Place

	Parameters	Loan Ceiling (6 <sup>th</sup> application exercise)
(1)	Short-term Loan –	
	(a) Two-year rental cost of accommodation per student (Note 1)	\$25,108
	(b) Refurbishment and equipment costs per student (Note 2)	\$16,048
		\$41,156 say \$41,160
(2)	Plus a margin of 10% for equipment-intensive or science subjects	\$45,270
(3)	Medium-term Loan –	
	(a) Purchase cost of class “C” commercial office per student (Note 1)	\$122,212
	(b) Refurbishment and equipment costs per student (Note 2)	\$16,048
		\$138,260
(4)	Plus a margin of 10% for equipment-intensive or science subjects	\$152,090

**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 2003-04, 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 2003-04, 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.