

**For discussion
on 10 April 2017**

**Legislative Council Panel on Education
Start-up Loan for The Open University of Hong Kong**

PURPOSE

This paper consults Members on the Government's proposal to seek the approval of the Finance Committee (FC) to provide a loan of \$400 million under the Loan Fund to The Open University of Hong Kong (OUHK) to cover part of the development costs of the proposed Nursing and Healthcare Complex (NHC) for the operation of full-time locally-accredited post-secondary programmes at sub-degree level or above.

BACKGROUND

2. In order to promote the healthy development of the self-financing post-secondary education sector in Hong Kong, the Government has introduced various support measures, inter alia, the Start-up Loan Scheme (SLS) to provide interest-free loans to non-profit-making post-secondary education providers in meeting their start-up costs, including purchasing, renting or building campuses, development of hostels, as well as enhancing teaching and other ancillary facilities. The SLS was approved by the FC in July 2001 with an initial commitment of \$5 billion. Since then, the commitment for the SLS has been increased by a total of \$4 billion to \$9 billion with the approval of the FC in 2010 and 2012. In May 2008, the FC approved the expansion of the scope of the SLS to support enhancement of teaching and other ancillary facilities. In May 2012, the FC also approved the extension of the ambit of the SLS to support the development of student hostels for the self-financing tertiary education sector.

3. Applications for the start-up loans are assessed by an independent Vetting Committee under the Education Bureau (EDB). The terms of reference and membership of the Vetting Committee are at **Annex A**; and the vetting criteria adopted by the Vetting Committee are at **Annex B**. Since the introduction of the SLS, the FC has approved 31 loans to 14 institutions, amounting to about \$7,211 million in total. In addition, the

Secretary for Education (SED) has approved under delegated authority¹ a total of eight loan applications amounting to about \$72 million in total. A list of start-up loans approved is at **Annex C**. As at 20 March 2017, a loan amount of about \$7,167 million was drawn and a total of about \$3,059 million was repaid with an outstanding loan balance of about \$4,107 million.

JUSTIFICATIONS

4. OUHK, formerly known as the Open Learning Institute of Hong Kong (OLI) was set up under the OLI Ordinance² (Cap. 1145) in 1989 to provide distance learning programmes to working adults in Hong Kong. OUHK attained the self-accrediting status in October 1996 and the university title in May 1997. As a self-financing institution, OUHK has been providing full-time degree programmes since 2001 and currently operates 2 higher diploma and 43 bachelor's degree programmes in full-time mode.

5. Under the established mechanism as set out in paragraph 3 above, OUHK applied for a start-up loan of \$400 million to fund half of the development costs of the proposed NHC on a land site located at Sheung Shing Street, Homantin. The location map of the new campus and the three existing purpose-built campuses (including Campus Phrase (CP)I, CPII and Jockey Club Campus (JCC)) in Homantin is at **Annex D**. The area of the site concerned is about 2 180 square metres. OUHK proposes to construct a 14-storeys NHC thereon with a total gross floor area (GFA) of about 18 680 square metres for accommodation of 1 200 students. The total construction cost is estimated to be \$800 million. The conceptual design of the proposed NHC is at **Annex E**. Upon completion of the proposed NHC, OUHK plans to operate thereat one Higher Diploma (HD) and six bachelor's degree programmes as listed at **Annex F**. Subject to finalisation of the private treaty grant, OUHK targets to take possession of the site by mid-2017. OUHK plans to commence construction works thereat in late 2017 and put the new campus into operation by late 2020.

6. The total GFA of the three OUHK's existing campuses is about 54 300 square metres, accommodating about 8 400 full-time students, the space provision for each student is around 6.5 square metres at present. After the proposed NHC is put into operation, the total GFA of OUHK's campuses will increase to 72 980 square metres to accommodate about 9 600 full-time

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

² The ordinance has been retitled as The Open University of Hong Kong Ordinance since 1997.

students. The space provision for each student will then be increased to around 7.6 square metres.

7. We are of the view that OUHK's proposed NHC will improve the learning environment of its student. In addition, there would be possible synergies between the proposed NHC and the existing campuses in the vicinity. Supporting the construction of the proposed NHC is in line with the Government's policy of promoting the healthy development of the self-financing post-secondary sector, thereby providing the students with more choices and opportunities and facilitating the diversification of the higher education sector. At the advice of the Vetting Committee, we recommend seeking the approval of FC for granting a **start-up loan of \$400 million to OUHK**.

8. In June 2005, OUHK was approved a start-up loan of \$120 million for covering 70% of the development costs of the CPII at its main campus (i.e. CPI) at Good Shepherd Road, Homantin. In January 2011, OUHK was approved another start-up loan of \$317 million for funding half of the development costs of a new purpose-built campus (i.e. the JCC) at Chung Hau Street, Homantin. Both campuses were completed and OUHK has started repaying the two approved loans in October 2009 and February 2015 respectively³. As at 20 March 2017, the outstanding balance for the two loans was \$24 million and \$221.9 million and they are expected to be fully repaid in October 2018 and February 2024 respectively.

FINANCIAL IMPLICATIONS

9. As approved by the FC in July 2001, loans to be granted under the SLS will be interest-free and be repaid by equal installments over ten years from the date of the final drawdown. Subject to the construction and renovation schedules of OUHK, the tentative loan disbursement schedule is as follows –

FY 2017-18 \$ million	FY 2018-19 \$ million	FY 2019-20 \$ million	Total \$ million
72.5	313.1	14.4	400

³ The loan shall be repaid in 10 instalments for 10 years.

10. The interest foregone⁴ for granting the above loan, with a repayment period of 10 years, will be around \$74.4 million based on the assumption that loan will be drawn down in accordance with the above schedule. There are no recurrent financial implications.

WAY FORWARD

11. If Members have no objection, we intend to submit the proposal to the FC for approval in May 2017.

Education Bureau
April 2017

⁴ The interest forgone is calculated based on the fixed rate of return for the investment portfolio of 2.8% applied to fiscal reserves placed with the Exchange Fund in 2017.

**Vetting Committee for the Allocation of Sites and Start-up Loan
for Post-secondary Education Providers**

Terms of Reference

1. To examine and assess applications under the Land Grant Scheme (LGS) for the allocation of sites, including vacant government premises and land for purpose-built premises, for the provision of self-financing post-secondary education programmes; and advise and make recommendations to the Secretary for Education (SED) on the allocation of sites to providers of these programmes.
2. To examine and assess applications under the Start-up Loan Scheme (SLS) for post-secondary education providers, and advise the SED on whether to accept, modify or reject the applications; and
3. To advise the SED on any other matters that may be referred to the Vetting Committee by the Education Bureau concerning the criteria for selection, the selection process, as well as the policy and execution of the LGS and SLS.

In discharging its functions, the Vetting Committee may set up sub-committees, conduct studies, engage professional services and co-opt members as and when necessary.

Membership (as at 31 March 2017)

Chairman: Mr Andrew LAM Siu-lo, JP

Non-official
Member: Mr Wilbert CHING Tak-keung
Mr Stephen HUI Chin-yim, MH
Mr Alex LAI Ting-hong
Sr Stephen LAI Yuk-fai
Ms Jacqueline A. LEUNG
Professor TAM Kar-yan
Mr Alvin WONG Tak-wai

Official Member: Principal Assistant Secretary (Further Education), EDB

Vetting Criteria for Start-up Loan Scheme

- (a) The applicant's organisation and management structure, and track record in delivering post-secondary education services;
- (b) Proposed use of the loan;
- (c) The estimated development/refurbishment costs; and
- (d) Financial viability of the applicant.

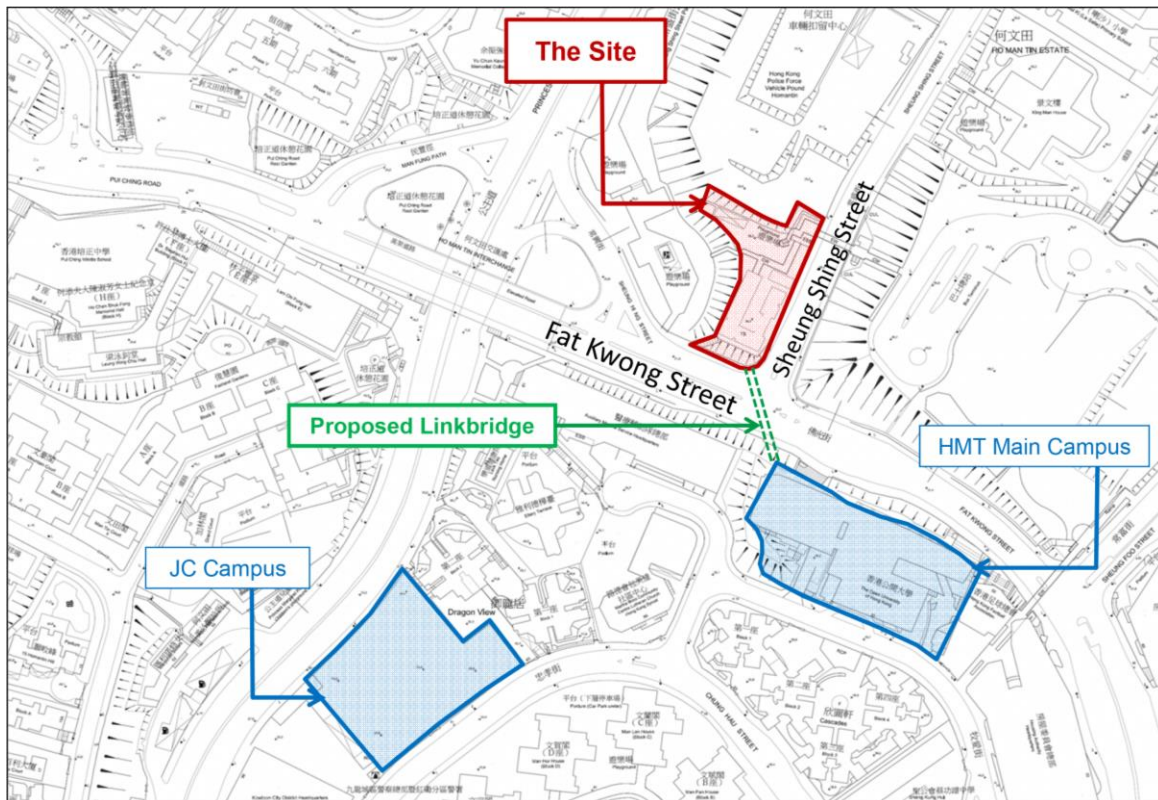
**List of Loans Approved under the
Start-up Loan Scheme for Post-secondary Education Providers**

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

Loan No.	Applicant	Premises	Loan Amount	Date of Approval
	(for School of Continuing Education)	in Shek Mun		
16	Caritas-Hong Kong (for Caritas Bianchi College of Careers)	Constructing a new campus in Tseung Kwan O	\$188,000,000	27 Jun 2003 by FC
17	The Hong Kong Polytechnic University (for Hong Kong Community College)	Constructing a new campus in Hung Hom	\$424,714,000	27 Jun 2003 by FC
18	The Chinese University of Hong Kong-Tung Wah Group of Hospitals Community College	Constructing a new campus in Mong Kok	\$346,050,000	5 Dec 2003 by FC
19	The Hong Kong Polytechnic University (for Hong Kong Community College)	Constructing a new campus in West Kowloon	\$458,100,000	4 Mar 2005 by FC
20	City University of Hong Kong (for its Community College)	Constructing new buildings in the Kowloon Tong campus	\$599,500,000	24 Jun 2005 by FC
21	Po Leung Kuk (for HKU SPACE Po Leung Kuk Community College)	Constructing new buildings in the Headquarters in Causeway Bay	\$254,000,000	24 Jun 2005 by FC
22	The Open University of Hong Kong	Constructing new buildings in the Ho Man Tin campus	\$120,000,000	24 Jun 2005 by FC
23	HKCT Group Limited (for Hong Kong College of Technology)	Renting and renovating a commercial premises in Hung Hom	\$10,875,000	3 Jan 2006 by SEM
24	Hang Seng School of Commerce (for Hang Seng Management College)	Constructing a new building in the Siu Lek Yuen campus	\$32,400,000	24 Mar 2006 by FC
25	The Chinese University of Hong Kong (for School of Continuing and Professional Studies)	Renting and renovating a commercial premises in Central	\$22,743,000	24 Mar 2006 by FC
26	Hong Kong Arts Centre (for Hong Kong Art School)	Renovating a vacant government premises in Shau Kei Wan	\$5,500,000	16 Feb 2009 by Secretary for Education (SED)
27	HKCT Group Limited (for Hong Kong College of Technology)	Renovating a vacant government premises in Ma On Shan	\$29,000,000	19 Jun 2009 by FC
28	The University of Hong Kong (for HKU School of Professional and Continuing Education)	Renovating a vacant government premises in Pok Fu Lam	\$40,344,000	19 Jun 2009 by FC
29	Chu Hai College of Higher Education	Constructing a new campus in Tuen Mun	\$350,000,000	19 Jun 2009 by FC
30	The Open University of Hong Kong	Constructing a new campus in Ho Man Tin	\$317,000,000	28 Jan 2011 by FC
31	Hang Seng School of Commerce (for Hang Seng Management College)	Constructing a new building in the Siu Lek Yuen campus	\$308,000,000	28 Jan 2011 by FC
32	International Education and Academic Exchanges Foundation Company Limited (for Hong Kong Institute of Technology)	Renovating a vacant government premises in Sham Shui Po	\$11,000,000	21 Feb 2011 by SED
33	The Chinese University of Hong Kong (for School of Continuing	Renovating a vacant government premises in	\$40,000,000	11 May 2012 by FC

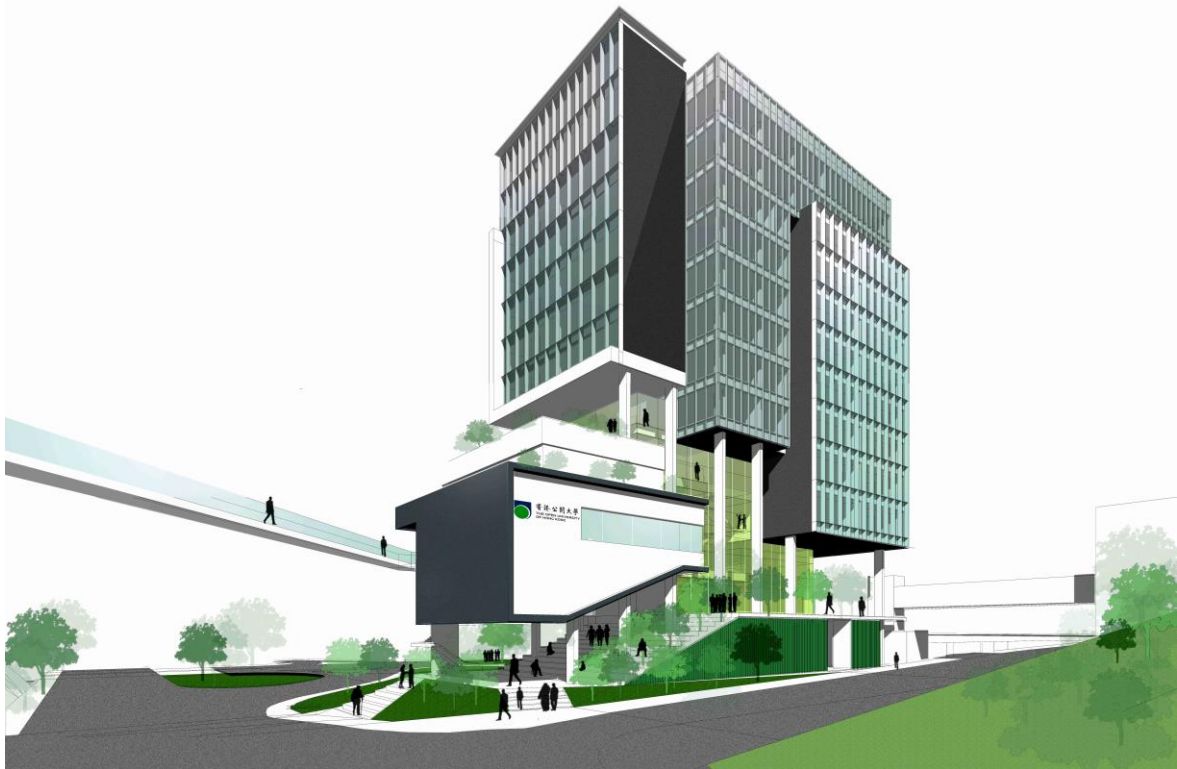
Loan No.	Applicant	Premises	Loan Amount	Date of Approval
	and Professional Studies)	Tseung Kwan O		
34	Caritas-Hong Kong (for Caritas Institute of Higher Education)	Constructing a new campus in Tseung Kwan O	\$300,000,000	13 July 2012 by FC
35	Vocational Training Council (for Technological and Higher Education Institute of Hong Kong)	Constructing a new campus in Chai Wan	\$670,000,000	13 July 2012 by FC
36	Hong Kong Arts Centre (for Hong Kong Art School)	Renovating campuses in Chai Wan and Shau Kei Wan	\$2,500,000	2 May 2013 by SED
37	Hang Seng School of Commerce (for Hang Seng Management College)	Constructing an academic and administrative building, a sports and student amenities centre and a student hostel in the Siu Lek Yuen campus	\$800,000,000	21 June 2013 by FC
38	HKCT Group Limited (for Hong Kong College of Technology and HKCT Institute of Higher Education)	Renovating a vacant government premises in Ma On Shan	\$30,000,000	7 Feb 2014 by FC
39	Chu Hai College of Higher Education	Constructing a new campus and a student hostel in Tuen Mun East	\$250,000,000	20 Mar 2015 by FC
Total Loan Amount approved:			\$7,282,519,000	

Location of campuses in Ho Man Tin



For identification purpose only

Conceptual Design of the Proposed Nursing and Healthcare Complex



View from OUHK's Main Campus



View from Fat Kwong Street

**Programmes to be Operated by
The Open University of Hong Kong
at the Proposed Nursing and Healthcare Complex**

1. Higher Diploma in Nursing Studies (General/Mental Health Care)
2. Bachelor of Nursing (Hons) (General/Mental Health)
3. Bachelor of Education (Hons) in Early Childhood Education: Leadership and Special Educational Needs *
4. Bachelor of Social Sciences (Hons) in Mental Health and Psychology *
5. Bachelor of Science (Hons) in Physiotherapy *
6. Bachelor of Science (Hons) in Nutrition and Dietetics *
7. Bachelor of Sports and Recreation Management (Hons) *

** Proposed new programmes under planning*