

立法會
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Panel on Education

Meeting on 10 April 2017

**Updated background brief on issues related to
the Start-up Loan Scheme**

Purpose

This paper summarizes the major views and concerns of Members on the Start-up Loan Scheme ("SLS") for post-secondary education providers.

Background

2. SLS has been launched since 2001, with a commitment of \$5 billion, as part of a basket of measures to support the development of the self-financing post-secondary education sector in Hong Kong. SLS provides interest-free loans to non-profit-making post-secondary education providers to support the development of college premises and student hostels, reprovisioning of existing premises operating in sub-optimal environment and enhancement of teaching and other ancillary facilities. Borrowing institutions are required to repay the loans within 10 years and are allowed to apply for repayment extension of up to 20 years. Interest is charged on the outstanding loan balance at the no-gain-no-loss rate after the first 10 years.

3. All applications for the start-up loans are assessed by the Vetting Committee for the Allocation of Sites and Start-up Loan for Post-secondary Education Providers ("the Vetting Committee") comprising official and non-official members. The Vetting Committee's terms of reference, membership and vetting criteria are in **Appendix I**. The current commitment of SLS is \$9 billion. On the recommendation of the Vetting Committee, the Secretary for Education approves applications for start-up loans at or below \$15 million under the delegated authority by the Finance Committee ("FC"); or seek FC's approval on applications for loans exceeding \$15 million.

4. From the introduction of SLS in July 2001 to end March 2016, 39 loans amounting to \$7.3 billion were granted. Of the 39 SLS loans, 13 were fully repaid and 26 were outstanding¹. A list of the 26 outstanding loans is at **Appendix II**. There were no default loan cases and only one incident of late repayment for four days.

Major views and concerns

5. During the Fifth Legislative Council, the Panel considered SLS in the examination of the Administration's proposals to provide loans to Hang Seng Management College, Hong Kong College of Technology ("HKCT") and HKCT Institute of Higher Education as well as Chu Hai College of Higher Education at its meetings on 30 May 2013, 13 January and 10 November 2014 respectively. The major concerns raised by members on SLS are summarized in the ensuing paragraphs.

Impact of start-up loans on tuition fees

6. Members were in general concerned whether individual institutions might transfer the burden of repaying the start-up loans to their students through charging them high tuition fees. A member however considered that as self-financing post-secondary institutions were not in receipt of any government subsidy, it was understandable for these institutions to recover part of their costs through tuition fees. According to the Administration, the level of tuition fees were determined by individual institutions, taking into consideration a basket of factors including the costs for operating the programmes, their competitiveness in the market and the affordability of students. Students with financial difficulties could apply for grants and loans provided by the Government.

7. There was a view that the post-secondary education sector in Hong Kong was highly polarized in terms of government funding because on one hand, students of University Grants Committee ("UGC")-funded institutions were heavily subsidized; on the other hand, students of self-financing post-secondary institutions were required to bear the construction cost and related expenses of these institutions. Question had also been raised on the mechanism, if any, to monitor the tuition fee levels and plan for the post-secondary study programmes to be offered with regard to the manpower needs of Hong Kong. In response, the Administration advised that the self-financing sector served to broaden the choice and opportunities for higher education. The proportion of

¹ Of the 26 outstanding loans, two were approved for The Open University of Hong Kong in 2005 and 2011 respectively.

publicly-funded versus self-financed programmes to be provided was an issue which would require careful study.

Regulation of the self-financing post-secondary sector

8. Some members stressed the need to strengthen the quality assurance and governance of the self-financing post-secondary sector through appropriate amendments to the Post Secondary Colleges Ordinance (Cap. 320). The Administration assured members that it would make reference to the recommendations of the Report of the Consultancy Study on "Local and International Good Practices in the Governance and Quality Assurance of the Self-financing Post-secondary Education Sector" and consider ways to enhance the regulation of the self-financing post-secondary sector. The Administration would also encourage self-financing institutions to offer quality programmes to meet the needs for post-secondary education.

9. Members were concerned about the monitoring over individual institutions' use of the start-up loans and enquired whether self-financing post-secondary institutions in receipt of government support such as start-up loans would be subject to reviews by the Audit Commission. The Administration advised that since the use of public resources was involved, the Audit Commission could conduct value-for-money studies on these institutions where it deemed necessary.

Development of the self-financing post-secondary institutions

10. On the views that the Administration should consider providing grants, instead of loans, to self-financing post-secondary institutions so that they could focus on deploying their resources for educational development rather than on loan repayment, the Administration took note of members' view and would critically review its investment in education.

11. When the FC considered a proposal to grant a start-up loan to HKCT at its meeting on 7 February 2014², there was a suggestion that instead of providing favourable funding terms to encourage self-financing post-secondary educational institutions to offer programmes on their own, it might be more cost-effective for the Government to provide such programmes. As explained by the Administration, its policy was to encourage diversity in the provision of post-secondary education with parallel development of publicly-funded and self-financing degree and sub-degree programmes. The self-financing sector could address the changing market needs with greater flexibility.

² See LC paper No. FCR(2013-14)58.

Scrutiny of loan applications by the Vetting Committee

12. Regarding some members' concern that government support appeared to be tilted in favour of those self-financing institutions under the aegis of UGC-funded institutions, the Administration explained that any applications from these institutions under the Land Grant Scheme or SLS would also be subject to consideration by the independent Vetting Committee.

13. When FC considered the proposal to grant a start-up loan to HKCT at its meeting on 7 February 2014², a Member noted that in vetting applications, the Vetting Committee would take into account, amongst others, the post-secondary education services proposed in each application. Question was raised as to how the Vetting Committee evaluated applicants' track records and what findings it had gathered. According to the Administration, in assessing an applicant's track record of delivering post-secondary education services, the Vetting Committee would take into account factors such as the number of post-secondary programmes organized previously, the number of students admitted, whether any problems or complaints relating to the programmes had been reported, etc. Track records were only one of the considerations and the Vetting Committee would examine each application on its merits.

Latest position

14. At the meeting on 10 April 2017, the Administration will consult the Panel on its proposal to seek FC's approval of a loan to The Open University of Hong Kong under SLS, with a view to enhancing the learning experience of and support for students.

Relevant papers

15. A list of relevant papers on the Legislative Council website is in **Appendix III**.

**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

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 organization 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 26 outstanding loans approved under the SLS
(31 March 2016)**

Loan	SFPP	Purpose	Approved loan amount (\$)	Date of approval
1	Caritas Bianchi College of Careers	Constructing a new campus in Tseung Kwan O	188,000,000	27 June 2003
2	Caritas Institute of Higher Education	Constructing a new campus in Tseung Kwan O	300,000,000	13 July 2012
3	Chu Hai College of Higher Education	Constructing a new campus in Tuen Mun	350,000,000	19 June 2009
4		Support the new design for Tuen Mun Campus	250,000,000	20 March 2015
5	Hang Seng Management College	Constructing a new building in the Siu Lek Yuen campus	32,400,000	24 March 2006
6		Constructing a new building in the Siu Lek Yuen campus	308,000,000	28 January 2011
7		Constructing an academic and administrative building, a sports and student amenities centre and student hostels in the Siu Lek Yuen campus	800,000,000	21 June 2013
8	HKU School of Professional and Continuing Education	Renovating a vacant government premises in Pok Fu Lam	40,344,000	19 June 2009
9		Purchasing and renovating a commercial premises in North Point	176,124,000	7 December 2001
10		Constructing a new campus in Kowloon Bay	279,256,000	27 June 2003

Loan	SFPP	Purpose	Approved loan amount (\$)	Date of approval
11	HKU SPACE Po Leung Kuk Stanley Ho Community College	Constructing new buildings in the Headquarters in Causeway Bay	254,000,000	24 June 2005
12	Hong Kong Art School	Renovating campuses in Chai Wan and Shau Kei Wan	2,500,000	2 May 2013
13		Renovating a vacant government premises in Shau Kei Wan	5,500,000	16 February 2009
14	Hong Kong College of Technology	Renovating a vacant government premises in Ma On Shan	29,000,000	19 June 2009
15	Hong Kong College of Technology and HKCT Institute of Higher Education	Renovating a vacant government premises in Ma On Shan	30,000,000	7 February 2014
16	Hong Kong Community College	Constructing a new campus in Hung Hom	424,714,000	27 June 2003
17		Constructing a new campus in West Kowloon	458,100,000	4 March 2005
18	Hong Kong Institute of Technology	Renovating a vacant government premises in Sham Shui Po	11,000,000	21 February 2011
19	School of Continuing and Professional Studies	Renting and renovating a commercial premises in Central	22,743,000	24 March 2006
20		Renovating a vacant government premises in Tseung Kwan O	40,000,000	11 May 2012

Loan	SFPP	Purpose	Approved loan amount (\$)	Date of approval
21	School of Continuing Education	Constructing a new campus in Shek Mun	359,200,000	27 June 2003
22	Technological and Higher Education Institute of Hong Kong	Constructing a new campus in Chai Wan	670,000,000	13 July 2012
23	The Community College at Lingnan University	Constructing new buildings in the Tuen Mun campus	205,735,000	7 December 2001
24	The Open University of Hong Kong	Constructing new buildings in the Ho Man Tin campus	120,000,000	24 June 2005
25		Constructing a new campus in Ho Man Tin	317,000,000	28 January 2011
26	Tung Wah College	Constructing a new campus in Mong Kok	346,050,000	5 December 2003

Source: EDB records

Appendix III

List of relevant papers

Committee	Date of meeting	Paper
Panel on Education	30.5.2013 (Item V)	Agenda Minutes CB(4)761/12-13(01)
Panel on Education	13.1.2014 (Item III)	Agenda Minutes
Finance Committee	7.2.2014 (Item No.2)	Agenda Minutes
Panel on Education	10.11.2014 (Item VI)	Agenda Minutes

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