

**Presentation by Secretary for Information Technology and Broadcasting
at the Special Meeting of the Finance Committee
on Tuesday, 26 March 2002**

Mr Chairman,

The policy responsibilities of the Information Technology & Broadcasting Bureau (ITBB) include enhancing the development of information technology (IT) infrastructure and services, taking forward the Cyberport project, furthering the development of the telecommunications and broadcasting industries and promoting film services. The priority tasks of my Bureau are set out below: -

INFORMATION TECHNOLOGY

2. With the rapid advances in IT, we promulgated the updated Digital 21 IT Strategy in 2001, in which we launched a series of initiatives to foster IT development in Hong Kong. We are determined to make best use of the existing resources to implement the initiatives set out in the strategy, so as to position Hong Kong as a leading digital city.

E-business promotion

3. On promoting e-business adoption by enterprises, we will continue to collaborate with industry support organisations to launch a series of sector-specific support services and promotional activities, including provision of IT audit service, production of an IT solutions directory, showcases of successful examples of e-business adoption, and organisation of seminars and exhibitions.

4. We have implemented since last June more flexible domain name registration policies, which allow the registration of multiple “.hk” domain names for a company and transfer of “.hk” domain names. Moreover, we have established a more efficient and economical alternative dispute resolution mechanism for resolving domain name disputes. More new and market-oriented services will be launched in the coming year to further facilitate Internet and e-business developments of Hong Kong.

5. We are reviewing the Electronic Transactions Ordinance and conducting a public consultation exercise with a view to updating and improving the Ordinance, so as to ensure that Hong Kong has the most up-to-date legislative framework for the conduct of e-business.

E-government

6. To promote the development of the IT industry in Hong Kong, the Government is committed to leading by example in the use of IT, so as to improve internal business operations as well as to change the way we provide services to the public. We will continue to develop E-government in making Government services more accessible and user-friendly to citizens and businesses. And in doing so we shall ensure that we take every advantage to re-engineer processes and make the Government more efficient. We have set the target to provide an e-option (the option to obtain public services through electronic means) for 90% of the public services amenable to the electronic mode of delivery by end-2003. By September 2001, over 70% of such services have been provided with e-option – we have made good progress compared to the 65% in May 2001. The website of the Electronic Service Delivery (ESD) Scheme has become one of the most popular Government websites. Since its launch in December 2000, the ESD website has attracted near 400 million hits and generated some 1.4 million transactions. Its winning of the Stockholm Challenge Award – a major international IT award programme organised by the City of Stockholm annually – not only demonstrates the international recognition of our one-stop and customer-centric way of delivering E-government services, but also shows the high standard of work delivered by our IT industry. Building on these successes, we are pushing ahead further E-government initiatives that provide citizen- and business-centric services in a one-stop manner.

Helping local IT industry to explore business opportunities

7. We will continue to uphold our outsourcing strategy for the provision of IT services within Government. This has helped enlarge the IT market. Currently, over 80% of all our new IT projects are outsourced to the private sector. We will continue to outsource not only new Government IT projects but also activities that are currently performed in-house. With an estimated total IT project expenditure of \$1,748 million for 2002-03 (representing an 11% increase over the estimated expenditure for 2001-02), more opportunities and jobs will be created for the IT industry. Moreover, to facilitate our small and medium sized enterprises (SMEs) in the IT industry to participate in the bidding for Government IT contracts, we will, where feasible, split the IT projects into a number of smaller projects for tendering. One example is the IT Professional Services Agreement to be introduced in mid 2002.

8. To assist our local IT industry to tap the enormous business opportunities arising from China's accession to the World Trade Organisation, we will work with the Hong Kong Trade Development Council to provide IT market information of the Mainland. We will also lead trade delegations to attend major IT events in the Mainland and overseas to help our local IT industry to explore business opportunities.

9. Moreover, we will drive e-business development and cooperation between Guangdong and Hong Kong through the Joint Task Force on E-business Cooperation jointly set up with the Government of the Guangdong Province.

Building a digitally inclusive society

10. To enable our citizens to benefit from the development of IT in enhancing quality of life, we must encourage them to adopt IT widely and enhance their IT capabilities. In the coming financial year, we will continue to organise the “IT Hong Kong” campaign, enhance public access to free computer facilities, and offer some 20 000 training places under our IT awareness programme. We will also launch the Community IT User Support Service in June 2002 to provide, in a user-friendly manner, members of the public with advice on general problems that they may encounter in using basic IT applications, so as to encourage them to adopt IT and raise their confidence.

Nurturing IT Talents

11. Professionals in the IT industry can best understand the needs of the market in the fast-changing world of IT. With the full support of the industry, we have provided free market-oriented professional IT training to secondary school students as a pilot project last summer. Over 4 000 teachers and students have benefited. This year, we will continue to collaborate with the industry to organize more of such programmes for secondary school students so that they can get early exposure to professional IT knowledge. Over 10 000 students are expected to benefit from the programme in 2002.

12. To further enhance the training of IT personnel and to promote exchange among talents, a “Cyberport Institute” which runs training courses in cooperation with some major IT companies will be established inside the Cyberport. Courses are expected to be offered this year, which should include an internship programme whereby students will be placed in different IT companies in Hong Kong or in places outside Hong Kong.

MOU on ICT Co-operation

13. It is our policy to sign Memorandum of Understanding (MOU) on co-operation in information and communications technology (ICT) with countries advanced in ICT development in order to strengthen the network between Hong Kong and these countries, to foster mutual exchanges and co-operation at government and industry levels, and to enhance our position as a digital city. In 2001-02, we signed MOUs on ICT co-operation with South Korea, Germany and France respectively.

We have since 1998 concluded similar arrangements with Canada, Australia, the United Kingdom, Finland, Israel and India. In 2002-03, we will endeavour to strengthen co-operation under the auspices of the ICT MOUs with these nine countries, and help the local IT industry to expand their market in these countries and explore new business opportunities.

CYBERPORT

14. The Cyberport project is progressing on schedule. The first Cyberport building was topped out in November last year and is nearing completion. Upon phased completion in around 2004, Cyberport will provide about 120 000 square metres of intelligent office space to accommodate around 100 local and overseas IT companies and these companies will be served by a wide range of state-of-the-art facilities. We have so far received a total of 79 applications and are in the process of discussing the lease terms with those applicants whose applications have been supported by the Committee on Admission of Cyberport Office Tenants. We are determined to building up a new international centre at the Cyberport.

15. In terms of employment opportunities, more than 400 experts are already working on the project and we are creating over 4 000 jobs in the construction industry. Side by side with the IT professionals working at the Cyberport companies, thousands of jobs will be created in the different trades (such as food and beverages and retail services) at the CyberCentre and about 150 jobs in the Cyberport hotel managed by Le Meridien.

TELECOMMUNICATIONS

16. In the information age, an excellent telecommunications infrastructure as well as quality telecommunications services at competitive prices are the cornerstones for facilitating business and attracting investment. Thus, it is our established policy to promote the development of the telecommunications industry with a view to making Hong Kong the telecommunications and Internet hub in Asia.

17. To promote the development of the telecommunications industry, we committed ourselves last year to reduce barriers to market entry, promote fair competition, and provide a favourable business environment. In January this year, we announced that the local fixed telecommunications market would be fully liberalized with effect from 1 January 2003. Under the full liberalization regime, we will neither set a limit on the number of licences to be issued, nor stipulate a deadline for licence applications. Although we do not require applicants to make commitment on network rollout or capital expenditure, applicants' plans will be incorporated as licence conditions to ensure the implementation of such plans. This is to ensure that the new

operators are genuine investors in Hong Kong's telecommunications market. We believe that this arrangement can best attract new comers to participate in our telecommunications market and therefore promote competition.

18. Besides, we also review the licence fees regularly so as to reduce the operating cost of operators. After reviews and public consultations, we just announced on 8 March that the fees for mobile telecommunications service licences would be reduced from \$30 to \$24 per mobile station with effect from 1 May this year. This is the third time of reducing the licence fee for mobile telecommunications service licences since 1999 and 2000, and the accumulated reduction amounts to 68%.

19. Our priorities ahead are to issue licences under the full liberalization policy and enhance the measures for promoting competition. Our aim is to facilitate the development of the telecommunications industry and to offer a wide choice of quality services at competitive prices for consumers and users.

20. Following the success of ITU TELCOM ASIA 2000, we have successfully bid for hosting ITU TELCOM ASIA 2002 from 1-7 December this year. ITU TELECOM ASIA 2000 was described by ITU as its "largest and most successful regional event ever". It attracted 680 VIPs from 77 countries, over 1 000 press members from 45 countries and a total of 50 000 local and foreign trade visitors. Tangible benefits included some \$260 million total foreign spending, and over \$100 million revenue from the construction of exhibition facilities. We are now actively making preparation for the hosting of ITU TELCOM ASIA 2002 with the aim of making Hong Kong an information and communications hub of Asia, providing business opportunities for the industry, and bringing revenues for the tourism and exhibition sectors in Hong Kong.

BROADCASTING

21. On broadcasting, our policy objectives are to promote competition and investment by market liberalisation so as to widen viewers' programme choice, encourage innovation and enhance Hong Kong's position as a regional broadcasting hub.

22. To facilitate business, the Government has abolished the royalty for radio and domestic free and pay television programme services licences. The calculation of licence fee is now based on the full-cost recovery principle. In 2001, the Government reduced the annual licence fee for non-domestic television programme service to \$56,600, so as to attract more broadcasters to provide regional services in Hong Kong.

23. Last year, Hong Kong attracted 6 broadcasters to establish presence in Hong Kong for their services in the region, creating an estimated number of 400 jobs. In the coming year, we will continue to leverage on our advantages in quality, efficiency and creativity to attract broadcasters to invest in Hong Kong, so as to create more employment opportunities. The implementation of digital terrestrial television will be our priority. This new technology will enhance competition by allowing more players to provide TV services within the existing frequency, benefit the viewers by improving picture and sound quality and create new business opportunities through enhanced features including interactive functions.

FILM SERVICES

24. In respect of film services, we have adopted a series of measures to facilitate film production and to improve the operating environment of the local film industry. These include establishing a mechanism for application for lane closure for location shooting, simplifying procedure for the use of pyrotechnic materials in the production of special entertainment effects, etc.

25. To facilitate film financing, the Film Services Offices co-organised with the film industry an international symposium in film financing in December last year. Participants included representatives from local banking industry, film industry and experts from overseas completion bond companies. They gathered together to discuss the film financing issue and business opportunities in local film production. In January this year, an American completion bond company has established its branch operation in Hong Kong.

26. Separately, we also promote Hong Kong films locally and overseas (including activities at the Cannes Festival and participation of Hong Kong films in overseas film festivals) which will help drive Hong Kong films, facilitate film location shooting, explore overseas film market and attract overseas film production to carry out location shooting in Hong Kong.

27. We have also lowered film censorship fees which helps reduce the operating cost of the industry.

CONCLUSION

28. In sum, we will continue to adopt various measures in the new financial year to improve the business environment for IT, telecommunications, broadcasting and film services sectors, promote and facilitate the industry to make further development, help the industry explore more business opportunities and create more jobs.

29. Mr Chairman, this concludes my opening remarks. If Members have any questions, my colleagues and I will be pleased to answer them.