

**立法會**  
**Legislative Council**

LC Paper No. CB(1)299/02-03  
(These minutes have been  
seen by the Administration)

Ref : CB1/PL/ITB/1

**Panel on Information Technology and Broadcasting**

**Minutes of meeting**  
**held on Tuesday, 17 September 2002, at 2:30 pm**  
**in the Chamber of the Legislative Council Building**

- Members present** : Hon SIN Chung-kai (Chairman)  
Hon Howard YOUNG, JP (Deputy Chairman)  
Hon Kenneth TING Woo-shou, JP  
Hon CHAN Kwok-keung  
Hon YEUNG Yiu-chung, BBS  
Hon Emily LAU Wai-hing, JP  
Dr Hon LAW Chi-kwong, JP  
Hon Timothy FOK Tsun-ting, SBS, JP  
Hon MA Fung-kwok, JP
- Members absent** : Dr Hon David CHU Yu-lin, JP  
Hon Eric LI Ka-cheung, JP  
Dr Hon Philip WONG Yu-hong  
Hon Albert CHAN Wai-yip
- Non-Panel members attending** : Hon CHAN Yuen-han, JP
- Public officers attending** : Agenda Items II & III  
Mr Henry TANG Ying-yen, GBS, JP  
Secretary for Commerce, Industry and Technology  
Mr Francis HO, JP  
Permanent Secretary for Commerce, Industry and  
Technology  
(Information Technology and Broadcasting)

Ms Eva CHENG, JP  
Deputy Secretary for Commerce, Industry and  
Technology  
(Information Technology and Broadcasting) 1

Agenda Item II

Mr Alan SIU  
Deputy Secretary for Commerce, Industry and  
Technology  
(Information Technology and Broadcasting) 2

Miss Annie TAM, JP  
Cyberport Coordinator  
Commerce, Industry and Technology Bureau

Mr M V STONE, JP  
E-government Coordinator  
Commerce, Industry and Technology Bureau

Agenda Item III

Mr A S K WONG, JP  
Director-General of Telecommunications

**Clerk in attendance** : Miss Polly YEUNG  
Chief Assistant Secretary (1)3

**Staff in attendance** : Ms Debbie YAU  
Senior Assistant Secretary (1)1

Action

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**I. Confirmation of minutes and matters arising**  
(LC Paper No. CB(1)2429/01-02)

The minutes of the Panel meeting held on 8 July 2002 were confirmed.

## II. Briefing by the Secretary for Commerce, Industry and Technology (LC Paper No. CB(1)2539/01-02(01))

2. With the aid of power-point presentation, the Secretary for Commerce, Industry and Technology (SCIT) outlined the current challenges and position of Hong Kong in the development of an information-driven economy and briefed members on the Government's commitments and ideas in strengthening Hong Kong's leadership as the information centre in Asia.

3. Members noted that in connection with the accountability system implemented on 1 July 2002, the Administration had provided to the Constitutional Affairs Panel, inter alia, the Declaration of Interests made by Members of the Executive Council (ExCo) (LC Paper No. CB(2) 2679/01-02(06)), the Declaration of Interests and Affiliation with Political Parties made by principal officers under the accountability system (LC Paper No. CB(2) 2679/01-02(25)) and the curriculum vitae of the five new Directors of Bureau appointed from outside the civil service (LC Paper No. CB(2) 2679/01-02(36)). The aforesaid papers were issued to Hon LegCo Members on 6 August 2002 by the Clerk to Constitutional Affairs Panel.

4. Ms Emily LAU noted from the register of interests of Members of the ExCo that Mr Henry TANG, SCIT, had transferred all of his shares in his family companies to a trust of which his father was the trustee and SCIT himself was one of the eligible beneficiaries but SCIT did not have the right to give instructions to the trust or its trustee. In this connection, Ms LAU considered it more appropriate for SCIT to transfer his shares to a blind trust which would operate independently and at arm's length.

5. In response, SCIT confirmed that on being appointed to the position of SCIT, he had sold all his shares in listed companies except units in Tracker Fund. Since his family companies engaged in textiles and electronics were not listed companies, his shares in these companies could not be transacted at the stock market and could not be entrusted to any funds for management. On whether there was any possible conflict of interests, SCIT pointed out that sufficient safeguard was in place, and that he had fully met the stipulated requirements on declaration of registrable interests by principal officials under the accountability system. In this regard, the Chairman said that while he would allow members to raise questions relating to the information of SCIT, general issues relating to the declaration/conflict of interests under the accountability system should be dealt with at the Constitutional Affairs Panel if members so wished.

6. Ms Emily LAU noted from the Annual Report of the Office of Members of the Executive and Legislative Councils (OMELCO) (1992) that one of SCIT's academic qualifications was "Master of Arts in Sociology, Yale University (1975-76)". However, in the Annual Reports of the Legislative

Council from 1992-93 to 1996-97, the qualification appeared as "Master of Arts Programme, Yale University". Ms LAU sought clarification on such discrepancy. She also queried why the aforesaid qualification in respect of Mr Henry TANG was not listed in the Annual Report of the Provisional Legislative Council and in the curriculum vitae he had submitted to the Administration recently.

7. SCIT said that according to his recollection, he had supplied information regarding his "Master of Arts Programme, Yale University" for the compilation of the Annual Report of the Legislative Council of 1992-93. He was unaware of the OMELCO Annual Report of 1992. However, in his opinion, the two annual reports in question should refer to the same legislative year and the information contained therein should tally with each other. As regards the Annual Report of the Provisional Legislative Council, he had only included his degree qualifications therein. The same information was given under the entry of academic qualification in the curriculum vitae he had submitted to the Administration recently.

*E-government initiatives: smart ID cards and re-engineering of the Information Technology Services Department (ITSD)*

8. As the Administration had committed to install free digital certificates on the future smart ID card to drive e-commerce adoption, Dr LAW Chi-kwong enquired about the implementation timetable and whether such installation would be entirely voluntary.

9. In addressing the issue, the E-government Coordinator of Commerce, Industry and Technology Bureau (EGC/CITB) assured members that it would be up to citizens to decide whether to install digital certificates issued by Hong Kong Post when they provided their personal data and thumb-print to the Immigration Department for the issuance of the smart ID cards. Those who opted for such installation would be issued a smart ID card embedded with a digital certificate. The digital certificate would be free of charge for the first year. EGC/CITB further advised that the replacement for the multi-application Smart ID card was a four-year programme to be rolled out in mid 2003.

10. Regarding the Chairman's concern on whether the re-engineering of ITSD would result in any staff redundancy, the Deputy Secretary for Commerce, Industry and Technology (Information Technology and Broadcasting) 2 (DSCIT(ITB)2) confirmed that the re-engineering process only involved the transfer of certain ITSD staff to client departments where they would continue to be responsible for the development and maintenance of the computer systems. The move sought to improve efficiency and promote a sense of belonging and would not lead to any staff surplus.

*Telecommunications*

11. As some third generation (3G) mobile services operators in Europe were allowed to co-build networks to lower the capital cost, the Chairman enquired whether the Administration would consider adopting the same approach for 3G mobile services in Hong Kong.

12. In response, the Deputy Secretary for Commerce, Industry and Technology (Information Technology and Broadcasting) 1 (DSCIT(ITB)1) pointed out that unlike Europe where 3G licences were auctioned with payment upfront, Hong Kong had allocated 3G licences through bidding of royalty percentages which had considerably reduced the upfront financial burden on successful bidders. In addition, it was the Administration's policy to encourage and promote network-based competition.

13. Noting that the current economic conditions might not be conducive to investment in the telecommunications market, the Chairman was concerned about the progress of implementation of the full liberalization of the local fixed telecommunications network services (FTNS) market from 1 January 2003.

14. While agreeing that investment in the telecommunications market would very much depend on the prevailing economic situation, DSCIT(ITB)1 confirmed that a number of telecommunications licensees had applied to extend the scope of their permitted business to cover FTNS. Some new FTNS licences had already been issued to facilitate preparation although network rollout could not start before 1 January 2003. At the Chairman's request, the Administration would provide a paper setting out details on the current progress in the implementation of full liberalization of the FTNS market. Where available, relevant information such as the number of FTNS licence applications and the nature of the services to be provided should be included.

Admin

15. As operators might cut cost by laying off staff in order to remain viable in the face of intense competition in the telecommunications market, Ms Emily LAU reflected the concern of some sectors of the community that liberalization of the telecommunications market had aggravated the unemployment problem. She sought SCIT's views on the benefits or otherwise of liberalizing the telecommunications market and the future development of the industry.

16. In response, SCIT stressed that consumers would ultimately benefit from the liberalization of the telecommunications market. For example, as a result of keen competition, the tariff for International Direct Dialing (IDD) service had dropped significantly over the years. The savings resulting from reduced IDD tariff from 1999 to 2001 reached \$17.5 billion. Moreover, the charges for mobile and broadband services in Hong Kong were among the lowest worldwide, thus enabling Hong Kong to achieve a penetration rate of

86% for mobile service. Nevertheless, SCIT shared the concern that increased market competition had put heavier pressure on operators to adopt various cost cutting measures so as to stay viable and competitive.

17. As far as the overall employment situation in the telecommunications market was concerned, SCIT said that the manpower made redundant by one company might be absorbed by new entrants. Generally speaking, the Administration was equally concerned about the unemployment problem. In making policy decisions, the Administration would also take into consideration the implications of the policy on the labour market, in addition to factors such as consumers' interests and the business environment.

18. In this connection, Ms Emily LAU requested the Administration to provide employment statistics in the telecommunications industry and changes, if any, following market liberalization. In view of the scope of activities of telecommunications and information technology (IT) related services, the Chairman suggested that the Administration might consider categorizing the employment figures of the telecommunications industry by the core sector and other related sectors. DSCIT(ITB)<sup>1</sup> undertook to consult the Census and Statistics Department and provide the requested information as far as available.

Admin

#### *Radio Television Hong Kong*

19. Noting that SCIT had contacted the Director of Broadcasting regarding an attempt by a programme host of Radio Television Hong Kong (RTHK) to interview Taiwan's Vice-President Ms Annette LU in one of her entertainment programmes, Ms Emily LAU queried the need for such intervention and whether SCIT would continue to uphold RTHK's editorial independence and press freedom as he had pledged when taking up his appointment. She also asked whether RTHK had to adhere to Vice Premier Qian's Seven Principles in dealing with issues relating to Taiwan relations.

20. In response, SCIT highlighted that as the incident had been reported widely, it was incumbent upon him, being the responsible policy secretary, to seek further information from the Director of Broadcasting so as to put himself in proper perspective. SCIT said that in his opinion, RTHK, in discharging its administrative functions as a Government department, should adhere to the aforesaid principles in dealing with issues relating to Taiwan. As part of the media, RTHK could enjoy editorial freedom. In this regard, SCIT added that "Producers' Guidelines" in arranging interviews and producing programmes had been issued by RTHK for the guidance of its programme makers. He re-affirmed his commitment to continue to uphold RTHK's editorial independence.

21. Mr MA Fung-kwok considered that as RTHK was a public broadcaster, it should take up the responsibility to enhance the public's appreciation of art and culture. He asked whether RTHK would review its role and efforts in this aspect. In response, SCIT maintained that as long as RTHK upheld the principle of editorial independence, provided timely and impartial coverage and reports on issues of concern, and catered for the needs of minority interest groups, it should be given the liberty to decide on the type and contents of its programmes.

#### *Digital Terrestrial Television*

22. The Chairman was concerned about the decision of the Administration on the technical standard to be adopted for Digital Terrestrial Television (DTT) in Hong Kong. He was aware of strong calls that the DTT standard in Hong Kong should be compatible with that of the Mainland. He also enquired about the implementation timetable, if any, of launching DTT service.

23. On the choice of the DTT standard, DSCIT(ITB)1 advised that the objective was to adopt the most suitable proven technology available to ensure that consumers could benefit from the most advanced technology. Given that the Mainland was developing its own DTT technical standard and that the DTT standards of Japan, Europe and the United States covered in last consultation document had undergone new changes, it was necessary to conduct another consultation in early 2003 before deciding on the DTT standard to be adopted in Hong Kong. Although this might mean that DTT service could not be launched in the short run, DSCIT(ITB)1 advised that Hong Kong should take a cautious approach in identifying the most appropriate standard so as to ensure that DTT would be of sufficient commercial viability for future operators.

#### *Film industry*

24. Ms Emily LAU referred to the difficulties currently faced by the film industry and enquired about Government measures to assist the industry. In particular, she sought clarification on whether such assistance would involve the use of public money and whether more resources would be allocated to combat piracy. She was also very concerned about the transparency of the mechanism in allocating financial assistance.

25. In response, SCIT highlighted the importance and need to protect intellectual property rights which was crucial for the local film industry. Apart from the ongoing effort to crack down on piracy by the Customs and Excise Department, the Administration would introduce necessary amendments to the legislation on intellectual property rights and members would have the opportunity to examine the relevant Bill in detail. He also informed members that the industry's views on what should be done to assist the industry would be

canvassed at an industry forum to be held on 18 September 2002. Some proposed measures such as providing guarantee to bank loans might necessitate the use of public funds. If this was the case, the Administration might need to put up a detailed funding proposal for the approval of the Finance Committee in accordance with the existing procedures and Members would be able to consider the proposed arrangements, including the funding mechanism.

### *Creative industries*

26. While maintaining that the Government should not intervene into the development of creative industry, Mr MA Fung-kwok was concerned about the role of the Government and which bureau(x) were responsible for formulating policies in this regard.

27. In response, SCIT advised that as far as his purview was concerned, the Government should focus on nurturing creativity by providing a platform where design professionals could transform their innovations into successful products and services. For instance, the "Style Hong Kong" exhibition organized by the Hong Kong Trade Development Council in Beijing in 2003 would serve as a good opportunity for the industry to tap the Mainland market. As regards the responsible bureau, SCIT referred to the Chief Executive's speech at the opening ceremony of the Hong Kong Design Centre on 13 September 2002 in which it was stated that the Commerce, Industry and Technology Bureau would take the lead in promoting certain creative industries such as design. SCIT was of the view that as Hong Kong designers had attained international acclaim, they should capitalize on such achievement. He also said that Hong Kong had the competitive advantage to develop into a world class design centre in the region.

### **III. Disruption to telecommunication services on 11 September 2002**

(LC Paper No. CB(1)2539/01-02(02) &(03)

28. SCIT informed members that the Government was very concerned about the serious congestion of all fixed and mobile telecommunications networks on 11 September 2002 when Hong Kong was under the attack of typhoon Hagupit. The Office of Telecommunications Authority (OFTA) would conduct a review and look for areas for improvements, including a study with network operators on the feasibility of expanding network capacity, the allocation of priority use of the telephone networks to Government departments and agencies during emergency and the use of alternative advanced networks such as the broadband networks and the future 3G mobile networks at times of emergency.

29. The Director-General of Telecommunications (DG/Tel) took members through the Administration's paper. He outlined the procedures taken by



OFTA upon receipt of the pre-warning of the issue of the No. 8 typhoon signal. During the two hours from noon to 2 pm on 11 September 2002, the average increase of telephone traffic had been more than six times the normal peak hour traffic. Over 26 million and 14 million calls had been made over the fixed and mobile networks respectively between noon and 1 pm, as compared to the normal peak of 4 million calls for each type of networks. Despite the congestion, DG/Tel assured members that emergency call services of 999 and business lines of major financial institutions and corporations had functioned normally as they were served by dedicated lines. He also highlighted OFTA's review which sought to identify possible improvement measures.

*Monitoring of telephone traffic during emergency*

30. Mr YEUNG Yiu-chung opined that if OFTA could receive notification of the emergency situation earlier than the general release from the Information Services Department (ISD), it might have been able to alert network operators to take precautionary action sooner. He was also concerned about the role of OFTA in monitoring network traffic during emergency.

31. In response, DG/Tel confirmed that apart from ISD, the Emergency Monitoring and Support Centre would also disseminate information on emergencies to OFTA as appropriate. Staff of OFTA had been in close liaison with telecommunications operators since the issuance of the pre-warning before noon on 11 September 2002. This had enabled OFTA to respond to press enquiries in the late afternoon of 11 September 2002 and provide the relevant data on network traffic early the following day.

*Network capacity and investment*

32. Noting that all existing networks were equipped with a spare capacity of 10% to 20% of their peak traffic volumes, Mr YEUNG Yiu-chung enquired if consideration would be given to raising the aforesaid level of spare capacity requirement following the network congestion on 11 September 2002. He also sought information on the spare capacity requirement for networks in overseas countries. Mr Howard YOUNG also enquired about the criteria used in ascertaining the adequacy of spare capacity of a network.

33. On whether the level of spare network capacity should be raised, DG/Tel advised that all telecommunication networks in Hong Kong were designed to a very high quality comparable to the best practice in the world. The fixed and mobile networks were allowed only a maximum of one and five lost calls respectively per 100 calls in the busiest hour of the day. On top of this standard, the spare capacity of 10% to 20% of their peak hour traffic volumes would alleviate to some extent unexpected peaks of traffic. While the Administration would examine the feasibility for operators to expand their network capacities without significant increase in costs to consumers, DG/Tel

pointed out that it might not be realistic to raise the spare capacity requirement to as high as six times of the normal capacity.

34. Referring to certain views that the network congestion on 11 September 2002 was caused by insufficient network investment by operator, Mr Howard YOUNG queried whether the existing policy on network interconnection, in particular Type II interconnection, had in fact demotivated operators from investing in network roll-out as they could provide services over the networks of the incumbent operator, albeit at a charge. He was also concerned whether the provision of Type II interconnection would take up the spare capacity of a network. Mr CHAN Kwok-keung also opined that telephone traffic seemed to be more congested after liberalization, which might probably be due to the lack of network investment by operators.

35. In response, DG/Tel pointed out that commitment on network investment had not diminished after liberalization of the telecommunications market. There was continued investment by PCCW, the incumbent dominant operator. The total commitment on network investment by the new operators amounted to more than \$15 billion. DG/Tel advised that many operators had in fact invested more than what they had previously committed and that there had not been any deterioration in network quality. DG/Tel did not subscribe to the view that Type II interconnection had discouraged direct network investment. He explained that Type II interconnection only covered the local loops of the last mile connected to users' premises. The operators seeking Type II interconnection had to invest and provide for its own networks before making interconnection with other networks. He also confirmed that effecting interconnection would not reduce the overall spare capacity of networks and pointed out that the increasing use of broadband in lieu of narrow-band services would ultimately increase network capacity.

36. On the pros and cons of network investment versus network interconnection in providing telecommunication service, DG/Tel stressed that the Administration had always encouraged investment in advanced networks such as broadband networks and the future 3G mobile networks which would be able to provide better support than the current copper-wired telephone lines of narrow bandwidth. Nevertheless, an effective interconnection regime was also necessary to facilitate early service coverage by new entrants and to bring about market competition.

#### *Improvement measures*

37. Referring to her letter attaching a businessman's email on the telephone traffic congestion on 11 September 2002 (issued subsequently after the meeting vide LC Paper No. CB(1)2539/01-02(03)), Ms Emily LAU pointed out that unlike major corporations which were served by dedicated telephone lines, small and medium enterprises might have suffered losses from such

network congestion. Referring to the experience in Ting Kau, she was concerned about the lapse of time before the network resumed normal operation and sought related information in other advanced economies. She also urged the Administration to implement prompt improvement measures to prevent recurrence of similar problems.

Admin

38. In response, DG/Tel reiterated that the design of the telecommunications networks in Hong Kong was one of the highest by international standards. He said that it was unlikely that any network of reasonable design could support a sudden surge of telephone traffic of over six times more than the normal peak hour traffic. Resumption of normal operation in most areas after 3 pm on 11 September 2002 reflected the reliability of the telephone networks. DG/Tel said that the Administration expected to complete the review on areas for improvement in three months' time and would report back to the Panel.

39. In reply to Mr CHAN Kwok-keung and Dr LAW Chi-kwong on the scope and use of broadband services, DG/Tel anticipated that broadband networks would soon be deployed to support voice communication. The availability of new technologies would also help but it might take some time before the price of new products such as Internet phones would become affordable to consumers. On possible ways to ease the problem of telephone traffic congestion during emergency situations, DG/Tel said that the congestion of telephone networks could be alleviated if transactions such as Electronic Payment Service and validation of credit cards could be processed through broadband. Other modes of communication such as email, ICQ or mobile short messages could reduce reliance on voice communication. In this connection, Dr LAW Chi-kwong said that schools might consider communicating with parents by ICQ in the imminence of the No. 8 typhoon signal. The Chairman added that the Education Department should encourage schools to notify parents by using mobile short message service. DG/Tel noted members' suggestions and said that OFTA would study in collaboration with other Government departments alternative modes of disseminating information.

40. In reply to the Chairman's enquiry on the feasibility of utilizing Cable TV's network to provide telephony service, DG/Tel pointed out that Cable TV's network was of the analogue type and was currently undergoing digitalization. After digitalization, the network could support Internet phone services.

41. Mr Kenneth TING pointed out that unlike previous occasions of telephone traffic congestion when people usually received a busy tone after dialing the number, callers had difficulty even in getting the dial tone on 11 September 2002. In this connection, DG/Tel pointed out that there should be greater publicity and education on the proper use of telephone service in case of telephone traffic congestion. He recalled that on 11 September 2002, when the callers could not get the dial tone, they re-dialled immediately. This had

further overloaded the already busy networks. Instead of re-dialling immediately, the callers should wait for several seconds until they heard the dial tone. DG/Tel said that the review report would also address the issue of proper use of telephone service during emergency situations.

*Summing up*

Admin

42. To facilitate members' consideration and put them in perspective, the Chairman requested the Administration to provide more comprehensive information on the current state of telephone traffic in Hong Kong, including the maximum capacity of the telecommunications networks of Hong Kong versus that of networks in other advanced economies, the total investment on telecommunications network roll-out, the total number of fixed-line and mobile telephone accounts, as well as details on the last five or ten incidents of telephone traffic congestion experienced in Hong Kong. DG/Tel agreed to provide the requested information as far as practicable but cautioned that some historical data might not be available from the telecommunications operators. He also undertook to revert to the Panel after the report on the review for areas for improvement was completed in three months' time.

43. There being no other business, the meeting ended at 4:45 pm.