

For consideration
on 8 February 2002

Legislative Council Panel on Information Technology and Broadcasting

The Administration of Internet Domain Names in Hong Kong

Background

On 1 February 2002, we submitted a paper to brief Members on the latest developments in respect of the administration of Internet domain names in Hong Kong. We informed Members that a non-profit making and non-statutory corporation, the Hong Kong Internet Registration Corporation (HKIRC), has been set up to take over the administration of Internet domain names in Hong Kong from the current administrator, the Joint Universities Computer Centre (JUCC). The transfer arrangements are now being finalised by the JUCC and the HKIRC.

2. Like other new establishments, the HKIRC will require a start-up working capital to fund its initial operations, and capital investment has to be made for rolling out new registration services. Commercial banks have been approached for obtaining a loan but the efforts are unsuccessful as the HKIRC is a new company without proven track record or collateral. We, however, are convinced that the corporation can run on a self-financing basis in the longer term and that it only has a cashflow problem initially.

Proposal

3. To address the HKIRC's cashflow problem and to enable it to develop healthily for the benefit of Hong Kong's Internet development, we propose to provide a loan of \$6.5 million from the Loan Fund to the HKIRC as its initial working capital. This should be sufficient for the HKIRC to meet its initial operating expenditure and to make capital investment for the roll-out of new services. Interest will be charged on the proposed loan at the best lending rate. Repayment of the loan and payment of the accrued interest will commence in the third year after the draw-down of the loan. The loan and accrued interest will be fully

settled within seven years (starting from the third year after the draw-down of the loan) by equal annual installments.

4. We plan to seek the Finance Committee's approval for providing such a loan from the Loan Fund to the HKIRC as soon as possible.

Advice Sought

5. Members' support for the proposed loan is sought so that the HKIRC can start its operation early to benefit Internet and e-commerce developments in Hong Kong.

Information Technology and Broadcasting Bureau
7 February 2002