

立法會 *Legislative Council*

LC Paper No. CB(1)2157/01-02

Ref : CB1/PL/ITB

Report of the Panel on Information Technology and Broadcasting for submission to the Legislative Council

Purpose

This report gives an account of the work of the Panel on Information Technology and Broadcasting during the 2001-02 session of the Legislative Council. It will be tabled at the Council meeting on 3 July 2002 in accordance with Rule 77(14) of the Rules of Procedure of the Council.

The Panel

2. The Panel was formed by a resolution passed by the Council on 8 July 1998 and as amended on 20 December 2000 for the purpose of monitoring and examining Government policies and issues of public concern relating to information technology, telecommunications, broadcasting and film services. The terms of reference of the Panel are at **Appendix I**.

3. The Panel comprises 13 members. Hon SIN Chung-kai and Hon Howard YOUNG were elected Chairman and Deputy Chairman of the Panel respectively. A membership list of the Panel is at **Appendix II**.

Major work

Telecommunications services

Full liberalization of the fixed telecommunications network services market

4. The Panel followed closely the progressive implementation of full liberalization of the fixed telecommunications network services (FTNS) market and exchanged views with the industry and other interested parties. While supporting in principle the Administration's decided policy to implement

full liberalization with effect from 1 January 2003, members were keen to ensure that full liberalization would bring about real benefits in terms of enhanced competition in the FTNS market and availability of wider choice for consumers.

5. Members remained deeply concerned about the relatively small market share achieved by the three new FTNS licensees since the introduction of competition in 1995 and sought progress reports from the Administration from time to time with a view to ascertaining how far new licensees could establish themselves as viable competitors to the incumbent dominant operator. Noting that FTNS licensees would not be required to provide performance commitments under the fully liberalized regime, some members suggested that consideration should be given to requiring licensees to provide service coverage in remote areas so as to prevent them from being selective in providing service in profitable sectors only.

6. The Administration assured members of its commitment to providing a regulatory environment which encouraged competition and maintained investment incentives. While holding the view that the provision of service should best be decided by the market, the Administration agreed that it would include factors such as the benefit of the proposed network to the community, the type of services to be offered and the intended coverage areas when considering applications for licences for FTNS. The Panel would continue to follow up with the Administration the effect of full liberalization on the industry, including investment incentives and job creation.

Interconnection

7. The Panel had examined the current framework for interconnection arrangements between different network operators. Members noted with concern the difficulties as reported by the new FTNS licensees in effecting the necessary interconnection arrangements. On account of the importance of interconnection in a multi-network environment, members sought assurance that the target of providing at least 50% of residential customers the choice of an alternative service provider by end 2002 could be met. Members noted the Administration's report on the latest state of network coverage and would continue to monitor the progress.

8. On the existing regulatory framework and the role of the Telecommunications Authority (TA) as the industry regulator, members had exchanged views extensively with the Administration and the deputations on the pros and cons of the current light-handed regulatory approach, whether service coverage and competition should be enhanced by self-built networks or Type II interconnection with the incumbent operator, as well as the current arrangements for TA to make determinations under section 36A of the Telecommunications Ordinance.

9. In response to members' concern about the time-frame for making determinations, the Administration had assured members that if justified, the TA might also direct that interconnection be processed before a determination was made. Under a set of revised procedures effective since September 2001, the processing time for "normal" cases and "complex" cases for TA's determination were within 5 months and 6½ months respectively. As regards members' concern for greater transparency of the determination process, the Office of Telecommunications Authority (OFTA) was considering to publish information on the current status of each step of the determination proceedings in respect of each case on its web site.

Class licence for in-building telecommunications systems

10. Members noted that to facilitate the establishment and maintenance of in-building telecommunications systems which consisted of telecommunications equipment and related facilities, a class licence system was proposed whereby those persons who had interest in the common parts of a building (e.g. the property owners) where the in-building telecommunications system was installed would be eligible as licensees.

11. Regarding some members' concern that certain existing contractors/operators of in-building telecommunications system might deliberately delay the opening up its network facilities to other operators or impose unreasonably high charges on other operators requesting interconnection, the Administration confirmed that only the property owners/owners' corporation (OCs), not the network contractors/operators, could be class licensees and the owners would be required by licence conditions to make available the in-building telecommunications system for interconnection on a non-discriminatory basis. The charge for interconnection would be negotiated by the owners and the operators seeking entry. Either party might seek TA's determination in case no commercial agreement could be reached.

12. Members drew the Administration's attention to various practical difficulties which might be faced by the property owners or OCs as not all of them possessed the necessary technique and resources. While noting that the In-building Coordination Team set up under the OFTA would help to coordinate and resolve requests from different network operators seeking in-building access, members suggested that OFTA should consider rendering further practical assistance such as pre-qualifying the contract to be entered into by the OC with the network contractor/operator. In response, the Administration agreed that it was feasible for OFTA to advise the property owners/OCs on whether the provisions of a contract were in compliance with the statutory requirements of the class licence.

Information Technology-related issues

E-government

13. The Panel had considered the institutional arrangements for implementation of E-government initiatives, including the proposed creation of the E-government Coordinator post. In general, Panel members supported E-government initiatives as a tool to improve productivity and services to the public. Noting the Administration's target to provide an e-option for 90% of public services amenable to the electronic mode of service delivery, members urged that active measures should be taken to promote the utilization of online government services which was equally important as the provision of infrastructure. They also asked the Administration to examine the implications arising from the implementation of E-government, including any possible competition with the private sector for business opportunities. The Panel would follow up the Administration's response and further progress of the E-government programme on a regular basis.

IT usage and penetration

14. When considering the findings of two surveys on IT usage and penetration in Hong Kong, members were particularly concerned about the relatively low usage of IT among small and medium enterprises (SMEs) and considered that suitable assistance should be rendered to promote wider adoption of IT and e-business by SMEs.

15. The Administration assured members that it was actively working with industry support organizations to launch sector-specific programmes to promote and facilitate the adoption of IT and e-business among SMEs. On financial assistance, the Panel noted that a number of funding schemes had been set up to help SMEs enhance their IT capability. The Panel would continue to pursue with the Administration measures to promote the adoption of IT among SMEs.

Digital divide

16. The problem of digital divide faced by disadvantaged groups in society received serious attention by the Panel. Having considered the views and concerns expressed by disabled persons, the elderly, low-skilled and low-income earners, housewives and newly arrived persons on the use of IT, the Panel had requested the Administration to follow up various suggestions and to formulate policies and measures to build a digitally inclusive society.

17. Members noted the latest progress of various initiatives in education and training, technology diffusion in the community and the promotion of IT knowledge and awareness. In response to the Panel's call for

more practical assistance for the underprivileged sectors of society, members noted that a number of measures had been implemented, including financial assistance for people with disabilities to set up their PC workstations at home, sponsoring non government organizations to enhance their web sites to facilitate browsing by people with visual impairment through various assistive tools, the launch of inter-operator short message service by the six mobile phone operators and the adoption of internationally recognized web accessibility guidelines in the design of web pages by all Government web sites within 2002. The Panel was fully aware of the need for sustained effort and would continue to monitor the progress of various initiatives to build a digitally inclusive society.

Review of the Electronic Transactions Ordinance

18. The Panel gave views on the Administration's preliminary proposals to improve the Electronic Transactions Ordinance (Cap. 553) (ETO) so as to ensure that Hong Kong had the most up-to-date legislative framework for the conduct of e-business. The Panel noted that a consultation paper had been issued and would keep in view the outcome of public consultation.

19. On the role of the Hongkong Post (HKP) as a recognized certification authority (CA) by virtue of section 34 of the ETO, some members questioned the lack of competition in the certification market as so far, only one other CA had launched service. They asked the Administration to expedite its processing of applications so that more recognized CAs would be able to compete with HKP in the near future.

20. With the growing prevalence of electronic transactions, members highlighted the need to ensure consistency in the use of e-terminology in different pieces of legislation. The Administration took on board the Panel's suggestion and draw up internal guidelines to achieve consistency in the use of expressions like "the Internet" and "online" when drafting legislation.

New Identity Card

21. The Panel noted that in addition to immigration-related applications, the chip embedded in the future Smart ID Card would enable the card to be used for multiple applications. On the incorporation of non-immigration applications, members in general agreed that the inclusion of such applications should be voluntary and stressed that the public should be free to choose whether or which value-added applications to be incorporated in the new ID Card. Members also shared the view that privacy concerns arising from the use of the new ID Card must be properly addressed.

22. Noting that only the digital certificates issued by HKP would be embedded into the new ID Card free of charge for one year if the cardholder so

wished, some members considered that the infrastructure should also be open to other recognized CAs on an equal footing, lest HKP might be able to monopolize market opportunities for the issue of digital certificates. The Administration took note of members' concern but pointed out that reservation had been expressed during previous public consultation about allowing commercial applications in the new ID Card at this stage. However, in the longer run when the community was more ready, the Administration would be prepared to consider opening the ID Card platform to the digital certificates issued by other recognized CAs.

Cyberport

23. The Panel reviewed the progress and key activities of the Cyberport project with the Administration on a periodic basis. Members also paid a visit to the site of Phase CI of the Cyberport. Members of the Panel highlighted the need to ensure that the Cyberport would serve its intended objective of creating a strategic cluster of leading information technology (IT)/services companies instead of becoming a property development project to compete with other developers in offering quality office premises. To facilitate members in ascertaining the business nature of the tenant companies and how far the Cyberport vision could be achieved, the Administration would provide information to the Panel on the tenants' profiles in due course.

24. Regarding concerns about the future management of the Cyberport, the Administration advised the Panel that the Hong Kong Cyberport Management Company Limited, a wholly owned subsidiary company of the FSI-owned Hong Kong Cyberport Development Holdings Company, took a sub-lease of the Cyberport Portion from the Holdings Company and would operate the Cyberport in accordance with prudent commercial principles. The Administration would review the composition of its Board of Directors near mid 2002.

25. The Panel deliberated on the tenancy position of the Cyberport following reports that the uptake of office in Phase CI completed in April 2002 was not as enthusiastic as previously envisaged. The Administration assured members that negotiation on tenancy with interested companies was ongoing and reported in May 2002 that a total of five companies had confirmed their Cyberport tenancy taking up about 60% of the total lettable space in Phase CI. Given that the IT industry had entered a phase of consolidation, members asked the Administration to consider effective and proactive measures, such as providing more flexible leasing terms in the early stage to help build up a cluster of IT companies which could give impetus to further growth.

26. On the institutional arrangements for the future management of the Cyberport project, the Panel had been consulted on the Administration's proposal relating to the retention of two supernumerary directorate posts to

enable the secondment of two directorate officers in the Information Technology and Broadcasting Bureau to the management team of a private company owned by the Financial Secretary Incorporated to spearhead the Cyberport development for a period of 18 to 24 months. Members had expressed concern about the possible extension of the secondment after 18 to 24 months. In this connection, the Administration had assured members that it would not seek further extension unless unforeseeable circumstances arose. It had also limited the period of secondment for the two directorate officers to 18 months in its submission to the Establishment Subcommittee.

Broadcasting

27. In connection with the licence renewal exercise for the two domestic free television broadcasters, namely Asia Television Limited and Television Broadcasts Limited, the Panel was briefed on the public views received on the television services provided by the two licensees.

28. On language requirements for free television programme service, most Panel members considered that English language programme should not be reduced on account of the need for local people to maintain and improve their English proficiency and to cater for the needs of the English speaking community in Hong Kong. Members also gave views on programme standards, programme diversity and advertising standards. In principle, members were of the view that a balance had to be struck between imposing suitable regulatory measures and allowing a reasonable degree of flexibility for the two commercial TV broadcasters to provide their services.

Financial and legislative proposals

29. The Panel had examined a number of financial proposals prior to their submission to the Finance Committee for approval. These included the proposed block allocation of \$690 million for funding administrative computer systems for government departments, a proposed loan of HK\$6.5 million to the Hong Kong Internet Registration Corporation for taking over the administration of Internet domain names in Hong Kong, and the proposal to increase the approved commitment for hosting the International Telecommunication Union TELECOM Asia 2002. By and large, members were in support of these financial proposals.

30. The Panel had considered the major proposals contained in the Telecommunications (Amendments) Bill 2002 which sought to regulate merger and acquisition activities in the telecommunications market in an *ex post* manner. Some members expressed concerns about the wide scope of powers vested with the TA and asked whether merger and acquisition activities should be regulated by an independent body instead. Members sought further information on the guidelines to be issued by TA since they were not subsidiary

legislation but would provide the basis on how TA would assess the potential effect of the merger or acquisition on market competition. They also stressed the need to consult the industry on the guidelines.

31. In response, the Administration highlighted its policy of adopting a sector-specific approach to deal with competition matters and TA's role as the industry regulator. It also referred to checks and balances on TA's powers such as the existing appeal mechanism, the guidelines to be issued and the requirement for TA to conduct consultation. Members noted that the Bills Committee formed to study the Bill would continue to pursue the relevant issues with the Administration.

32. From October 2001 to June 2002, the Panel held a total of 10 meetings, one of which was a joint meeting with the Panel on Security, and conducted two visits. The Panel would also undertake a duty visit to South Korea in September 2002 to gain a better insight into its fast-growing IT sector.

Legislative Council Secretariat
June 2002

Legislative Council

Panel on Information Technology and Broadcasting

Terms of Reference

1. To monitor and examine Government policies and issues of public concern relating to information technology, telecommunications, broadcasting and film services.
2. To provide a forum for the exchange and dissemination of views on the above policy matters.
3. To receive briefings and to formulate views on any major legislative or financial proposals in respect of the above policy areas prior to their formal introduction to the Council or Finance Committee.
4. To monitor and examine, to the extent it considers necessary, the above policy matters referred to it by a member of the Panel or by the House Committee.
5. To make reports to the Council or to the House Committee as required by the Rules of Procedure.

**Legislative Council
Panel on Information Technology & Broadcasting**

Membership list

Chairman	Hon SIN Chung-kai
Deputy Chairman	Hon Howard YOUNG, JP
Members	Hon Kenneth TING Woo-shou, JP Dr Hon David CHU Yu-lin, JP Hon Eric LI Ka-cheung, JP Hon CHAN Kwok-keung Dr Hon Philip WONG Yu-hong Hon YEUNG Yiu-chung, BBS Hon Emily LAU Wai-hing, JP Hon Timothy FOK Tsun-ting, SBS, JP Hon LAW Chi-kwong, JP Hon Albert CHAN Wai-yip Hon MA Fung-kwok (Total: 13 Members)
Clerk	Miss Polly YEUNG
Legal Adviser	Miss Connie FUNG
Date	11 October 2001