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*Legislative Council*

LC Paper No. CB(1)985/02-03

(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, 28 January 2003, at 2:30 pm  
in Conference Room A of the Legislative Council Building**

- Members present** : Hon SIN Chung-kai (Chairman)  
Hon Howard YOUNG, JP (Deputy Chairman)  
Hon Eric LI Ka-cheung, JP  
Hon CHAN Kwok-keung  
Hon YEUNG Yiu-chung, BBS  
Hon Emily LAU Wai-hing, JP  
Dr Hon LAW Chi-kwong, JP  
Hon MA Fung-kwok, JP
- Members absent** : Dr Hon David CHU Yu-lin, JP  
Dr Hon Philip WONG Yu-hong  
Hon Albert CHAN Wai-yip  
Hon Timothy FOK Tsun-ting, SBS, JP
- Non-Panel member attending** : Hon CHAN Yuen-han, JP
- Public officers attending** : Agenda Items IV  
  
Mr Francis HO, JP  
Permanent Secretary for Commerce, Industry and  
Technology (Information Technology and  
Broadcasting)  
  
Mrs Betty FUNG  
Cyberport Coordinator  
Commerce, Industry and Technology Bureau

Mr M T WONG  
Chief Engineer  
Commerce, Industry and Technology Bureau

Agenda Items V and VI

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

Mr Anthony WONG, JP  
Director-General of Telecommunications

Mr K S WONG  
Assistant Director of Telecommunications

Agenda Items VII and VIII

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

Miss Adeline WONG  
Principal Assistant Secretary for Commerce,  
Industry and Technology (Information  
Technology and Broadcasting)

Agenda Items VII

Mr Stephen LEUNG  
Senior Statistician 1  
Census and Statistics Department

Mr Y C SIU  
Senior Statistician 2  
Census and Statistics Department

Agenda Items VIII

Mr Vincent WONG  
Chief Superintendent  
Commercial Crime Bureau  
Hong Kong Police Force

Mr H C PANG  
Chief Systems Manager  
Information Technology Services Department

Mr Roy KO  
Centre Manager  
Hong Kong Computer Emergency Response  
Team Coordination Centre

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

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

Ms Sharon CHAN  
Legislative Assistant 6

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**I Confirmation of minutes and matters arising**

LC Paper No. CB(1)670/02-03 -- Minutes of the Panel meeting  
on 9 December 2002

LC Paper No. CB(1)775/02-03 -- Minutes of the Special Panel  
meeting on 3 December 2002

The minutes of the Panel meeting held on 9 December 2002 and of the  
Special Panel meeting on 3 December 2002 were confirmed.

**II Date and items for discussion for next meeting**

LC Paper No. CB(1)765/02-03(01) -- List of outstanding items for  
discussion

LC Paper No. CB(1)765/02-03(02) -- List of follow-up actions

2. Members agreed to discuss the items of "Progress of E-government  
Programme" and "Promotion of IT Adoption in the Business Sector" proposed  
by the Administration at the next Panel meeting to be held on 10 February  
2003.

### III Papers issued since last meeting

LC Paper No. CB(1)586/02-03(01) -- An extract from the Public Accounts Committee's Report No. 37 relating to the performance and resource management of Radio Television of Hong Kong

LC Paper No. CB(1)586/02-03(02) -- A summary of the progress of the various follow-up actions taken by the Administration in relation to the performance and resource management of Radio Television of Hong Kong (English version only)

3. Members noted the above information papers issued since last meeting.

### IV Progress of the Cyberport Project

LC Paper No. CB(1)626/02-03 -- Background brief on Cyberport prepared by the Secretariat

LC Paper No. CB(1)765/02-03(03) -- Information paper provided by the Administration

4. At the invitation of the Chairman, the Permanent Secretary for Commerce, Industry and Technology (Information Technology and Broadcasting) (PSCIT(ITB)) introduced the Administration's paper. PSCIT(ITB) said that the Administration was aware of the controversy of the Cyberport project at its inception. However, given that the Cyberport was already in place as Hong Kong's major IT infrastructure, he was of the view that discussion of the Cyberport project henceforth should best focus on its progress and how far it could achieve its intended objective. He highlighted that the Cyberport aimed to contribute to Hong Kong's industrial and technological development through a number of major initiatives. For example, the Administration would spearhead the development of the digital media industry through the provision of hardware and software support in the Digital Media Centre (DMC) proposed to be set up in the Cyberport. The Administration would also promote the development of services and applications for wireless and mobile communications leveraging on Cyberport's excellent infrastructure and synergy. These initiatives would support the development of small and medium-sized enterprises and help create a strategic cluster of quality information technology (IT) and IT related companies critical to the development of Hong Kong into a leading digital city of the region.

*Intended objective*

5. Mr Howard YOUNG reiterated some members' concern about whether the Cyberport tenants were setting up new business/offices in Hong Kong by becoming Cyberport tenants, or merely relocating their offices from other parts of the territory. Noting from the Administration's information that the 17 companies and organizations which had leased or committed to lease Cyberport offices would altogether employ around 2 000 staff, Mr YOUNG was concerned that if most of the employees were simply relocating to the Cyberport together with their current employers, then the number of newly created job opportunities was in fact very limited.

6. In response, the Cyberport Co-ordinator, Commerce, Industry and Technology Bureau (CC/CITB) pointed out that compatibility of the tenant company's business profile with the objective of the Cyberport was a major consideration when the Committee on Admission of Cyberport Office Tenants considered tenancy applications. However, the Committee would not restrict Cyberport tenancy to new or overseas companies only; local companies were also welcome to launch their business in the Cyberport. She further informed members that as at end December 2002, out of the 17 companies and organizations that had leased or committed to lease Cyberport offices, two companies were new to Hong Kong and one was a newly set up local company. Many of these companies and organizations had plans to explore new business opportunities after they had moved to the Cyberport. For example, Microsoft had recently leased one more floor, in addition to the two floors leased earlier, in the Cyberport to meet expansion needs. CC/CITB envisaged that some of the estimated 2 000 staff to be employed by these companies and organizations would be new job opportunities arising from new business or expansion of existing companies.

7. In this regard, Mr Howard YOUNG said that for companies and organizations which sought to expand their business by becoming Cyberport tenants, the Administration should provide detailed information on the existing/past office space occupied by the tenant companies vis-à-vis their office space in Cyberport. The information would help allay concerns that the Cyberport was another property development project competing for office tenants with other developers.

8. PSCIT(ITB) noted Mr YOUNG's view. However, he pointed out that since the Cyberport was still in its early stage of operation, it would be more meaningful to evaluate its effectiveness in about one to two years' time when various business and functional activities were up and running. He also believed that the Cyberport would be able to attract more tenants following the launch of the DMC and the wireless development support centre in due course, and that the Cyberport could help spawn new industries in areas such as wireless services and applications, and digital entertainment.

9. Ms Emily LAU was also concerned that only 3 out of 17 tenants, or less than 18%, that had leased or committed to lease Cyberport offices were new companies and organizations while the remaining ones might simply be relocating their office premises. She said that criticisms about the Cyberport being another property development project competing for office tenants had not subsided. In this connection, she enquired whether the Administration had actively approached companies currently leasing offices in other districts to take up tenancy at the Cyberport; and whether the Administration had offered highly attractive leasing terms to boost the take-up rate.

10. In response, PSCIT(ITB) remarked that the unsatisfactory tenancy position of office buildings in general was mainly due to the unfavorable macro economy, the sluggish property market and the global consolidation of IT/IS industries. He confirmed that apart from general marketing activities and follow-up contacts with those companies that had signed the Letters of Intent to lease Cyberport, there was no question of the Administration seeking to approach and persuade companies in other districts to move to the Cyberport. PSCIT(ITB) nevertheless pointed out that notwithstanding the comparable level of the Cyberport's rental charges and its relatively remote location, Cyberport tenants had indicated that they were attracted to the Cyberport because of its state-of-the-art infrastructure, campus-like environment and the synergy that could be unleashed among like-minded companies.

#### *Promoting the Cyberport*

11. Miss CHAN Yuen-han said that as the Cyberport was yet to achieve its objective, she sought information on the Administration's work plan in attracting overseas/Mainland companies to set up businesses in the Cyberport to enhance the development of creative industries in Hong Kong. In response, PSCIT(ITB) highlighted two major areas of creative industries, i.e. digital media services and wireless services/applications which could be developed in the Cyberport leveraging on its world-class infrastructure and hardware and software support. CC/CITB added that the Administration would step up marketing efforts both overseas and in the Mainland. An international leasing agent had been engaged to help market the Cyberport overseas and reach out to the target companies. Road shows promoting the Cyberport would be held in big cities on the west coast of Canada and the United States in March 2003. Promotional activities would also be launched in the United States starting February 2003 to approach individual companies. Besides, Hong Kong would participate in IT related exhibitions overseas, in the Mainland and in Hong Kong. These included, among others, the Hong Kong Information Infrastructure Expo and Conference in February 2003 when group visits to the Cyberport would be arranged for participants. In addition, the Hong Kong Economic and Trade Offices (HKETOs) would continue to help promote Hong Kong, including the Cyberport, to overseas investors seeking business opportunities in Hong Kong.

12. Miss CHAN Yuen-han said that according to what she had been informed, promoting the business opportunities of Hong Kong was not within the purview of HKETOs. In response, PSCIT(ITB) confirmed that one of the main functions of the HKETOs was to foster closer economic and trade ties between Hong Kong and overseas cities by promoting the competitive edges and business opportunities in Hong Kong. In this connection, the Chairman advised that members might follow up issues relating to the mission and functions of HKETOs at the Panel on Commerce and Industry if they so wished.

13. As the global and local IT industry was still in a sluggish state, Mr YEUNG Yiu-chung was concerned about the effectiveness of overseas promotional activities such as road shows in promoting the Cyberport. In response, PSCIT(ITB) remarked that the current economic climate had presented major challenges to the Cyberport in fulfilling its public mission. Nevertheless, the Administration would maintain the momentum of the development of the Cyberport by a number of specific measures, including strengthening the support to small and medium enterprises so that they could take advantage of the world-class infrastructure in the Cyberport and become an essential part of the strategic cluster. CC/CITB supplemented that the Administration would spare no efforts in marketing Cyberport overseas and in the Mainland, and was hopeful that these efforts would bear fruit eventually. In addition, the Administration would continue to explore and provide value-added facilities and services to enhance the attractiveness of Cyberport.

14. In response to Miss CHAN Yuen-han's enquiry on Hong Kong's competitive edge over neighboring cities in the Mainland such as Guangzhou, PSCIT(ITB) remarked that Hong Kong enjoyed advantages on its multi-cultural outlook, sound legal foundation, and excellent infrastructure. He opined that Hong Kong should leverage on these advantages and seek to cooperate with the Mainland in attaining synergy.

#### *Retail and supporting facilities*

15. Referring to the high prices of food sold at the restaurant in the Service Annex of Cyberport, Mr CHAN Kwok-keung asked whether there had been any difficulty in identifying suitable restaurant operators to run outlets in the Cyberport. In response, CC/CITB said that a wide range of some 18 to 20 food and beverages (F&B) outlets would be available in the 27 000 m<sup>2</sup> Cybercentre, which would be ready for fitting-out and occupation shortly, and in the IT Street in Cyberport 3. Prior to the opening of the Cybercentre, the restaurant and the cafeteria in the Service Annex were providing catering service to the staff working in Cyberport 2. While the Government, as landlord, could not intervene in the prices of the food sold in Cyberport, CC/CITB anticipated that with more F&B outlets operating in the Cyberport, competition would probably bring down the food prices. She expected that more F&B outlets would be available in April 2003.

16. Mr CHAN Kwok-keung enquired about the reasons for the suspension in electricity supply in the Cyberport for several hours on 6 January 2003 and the measures to prevent similar recurrence. In response, the Chief Engineer, Commerce, Industry and Technology Bureau (CE/CITB) reported that the suspension of electricity supply at the upper floors of Phase CI building on 6 January 2003 was due to the activation of the earth fault protection device in the building. Upon detection of this power interruption, the emergency power generator activated automatically to supply electricity for essential installations such as computer systems and the lighting for emergency access on the floor concerned. As such, the impact on tenants caused by the power interruption had been minimized. In the wake of the incident, engineers from the tenant company concerned and the Administration had conducted a detailed examination of the electricity supply and electrical installations and monitored closely the pattern of electricity consumption for the floor concerned. The Administration had ascertained that the electrical installations and electricity supply of the base building were normal and noted that there were incidents of irregular pattern of electricity consumption. The Administration had monitored the pattern of electricity consumption closely in the following weeks but so far, no further irregularities were detected.

17. As regards why the activation of the earth fault protection device affected the entire floor instead of just the office concerned, CE/CITB advised that the Administration was not absolutely sure about the reason. He said that the electricity supplied to each floor of the Cyberport buildings came from two different sources. The emergency power generator would be triggered into operation automatically when there was power interruption. CE/CITB said that the Administration would continue to monitor the pattern of electricity consumption in the Phase CI building to prevent the recurrence of similar incident.

#### *Digital Media Centre*

18. Mr MA Fung-kwok expressed concern about the role and mode of operation of the DMC to be established in the Cyberport. He also sought information on the basis for setting the level of fees to be charged for various services and cautioned that the DMC should not compete with similar private-sector establishments.

19. In response, PSCIT(ITB) confirmed that the main objective of the proposed DMC was to provide assistance to small start-up companies which might lack the necessary capital and resources to acquire the necessary hardware and software to take forward their business plans. The Administration was mindful of the need for DMC to stay clear from competing with similar private-sector establishments and to protect the intellectual property right of the clients. As such, it was proposed that the future DMC would be operated by an independent organization and not by a commercial entity. The Administration would also take a cautious approach in setting the level of fees for the services provided by the DMC such that



Admin similar private operators could remain competitive. PSCIT(ITB) nevertheless said that relevant details for the proposed DMC were yet to be finalized and the Administration would further discuss with the tertiary institutions and private operators concerned. In this connection, the Chairman requested the Administration to provide further information on the proposed DMC in due course, including the charging arrangements of its services.

Admin Clerk 20. Summing up, the Chairman proposed and members agreed that to keep members abreast of the latest development, a visit to the Cyberport should be arranged in May/June 2003, in time for the next progress report scheduled for July 2003. The Administration undertook to arrange the visit in due course.

## V Issues related to external telecommunications service

LC Paper No. CB(1)488/02-03(01) -- Submission from the Society of Hong Kong External Telecommunications Service Providers (ETSS) dated 2 December 2002 on "Discriminatory and Anti-Competitive China International Direct Dialing (IDD) Termination Rates and the OFTA ruling concerning international call forwarding services (ICFS) (English version only)

LC Paper No. CB(1)645/02-03(03) -- Information paper provided by the Administration in response to the submission of ETSS on ICFS and increase in Mainland Termination Charge

LC Paper No. CB(1)645/02-03(04) -- Letter of ETSS to OFTA dated 20 December 2002 on "Implementation Issues on the Charging Arrangements of ICFS" (English version only)

LC Paper No. CB(1)645/02-03(05) -- Correspondences between OFTA and ETSS on "China Rates - Reduction by FTNS" (English version only)

*International Call Forwarding Service*

21. At the invitation of the Chairman, the Director-General of Telecommunications (DG/Tel) briefed members on the operation of the international call forwarding service (ICFS). In gist, ICFS was a service provided by the external telecommunications service (ETS) providers to forward incoming calls to subscribers' mobile or fixed numbers to an overseas number, such that the subscribers concerned could still be reached via their local numbers when they were not in Hong Kong. As such, the resources of the mobile and fixed networks would be consumed. Given that currently, the ETS providers only paid an access charge to the fixed telecommunications network service (FTNS) operators, the Telecommunications Authority (TA) had issued a Statement on 11 June 2002 setting out his views on the interconnection charging arrangements for ICFS for incoming calls to mobile numbers. The new charging arrangements established that ETS providers had a liability as of the date of the TA Statement, i.e. 11 June 2002, to pay the mobile network operators (MNOs) an access charge which should be cost-based and preferably be determined by commercial negotiation. Having regard to comments received from relevant parties, the TA issued another Statement in relation to implementation issues on charging arrangements of ICFS on 25 January 2003 which stated, inter alia, that if no commercial agreements could be reached after four weeks from the issue of this Statement, the TA would consider initiating a determination under section 36A(2) of the Telecommunications Ordinance (TO) (Cap 106). In the meantime, any of the parties concerned could seek a determination by the TA on their own accord. DG/Tel confirmed that so far, he had not received any request for determination.

22. In reply to the Chairman's enquiry on whether the cost-based access charge would include the forgone opportunity cost of the MNOs, DG/Tel informed members that in general, interconnection charges were set to provide reasonable compensation to the network operator concerned. For interconnection between ETS providers and FTNS operators, the present interconnection charge was set on the basis of cost-recovery plus a reasonable return.

23. Noting from TA's statement that eventually, ETS providers had to pay the MNOs an access charge with retrospective effect from 11 June 2002, the Chairman was concerned that this would impose an unknown financial burden on ETS providers. In case no commercial agreement could be reached and TA had to proceed to make a determination on the interconnection charge in due course, accumulated amount which the ETS providers were liable to pay since 11 June 2002 might become so great to render certain providers no longer viable. In the end, the interest of consumers and businesses at large would be adversely affected as they could not continue to use the ICFS as an alternative to roaming service.

24. Mr MA Fung-kwok shared the Chairman's view. He noted that

according to the submission from the Society of Hong Kong External Telecommunications Service Providers dated 2 December 2002, the ETS providers were paying HK\$0.036 per minute to FTNS operators for delivery of calls to the ETS platforms while the MNOs on the other hand had indicated their intention to set the access charge at HK\$1. Given such marked difference in the interconnection charge currently paid by the ETS providers on one hand and that contemplated by MNOs on the other, Mr MA considered it unlikely that they would be able to reach a commercial agreement on their own. He urged OFTA to take a more proactive role in coming up with a reasonable access charge acceptable to the parties concerned. He pointed out that if TA was to determine the level of access charges, he should also be mindful of the cost implications on the ETS providers.

25. On the role of TA, DG/Tel stressed that the TA had been monitoring the progress of the commercial negotiations closely. Subsequent to TA's Statement issued on 11 June 2002 setting out the principle that an access charge should be paid by the ETS providers to MNOs, the TA issued a Notice on 12 July 2002 stating his intention to initiate a determination pursuant to section 36A(2) of the TO to determine the level of charges for the provision of ICFS. Having considered the comments received in response to the Notice, TA issued a Statement on 8 August 2002 allowing two more months for commercial negotiation. TA would consider re-activating the determination process if there was insufficient progress in the commercial negotiation after this period of time. At the end of the two-month period, many MNOs and ETS providers had raised some issues in relation to the implementation of the charging arrangements. They submitted that they would not be able to conclude any commercial agreements until these implementation issues were resolved. With a view to facilitating their negotiations, TA had issued another Statement on 25 January 2003 setting out his views on resolving the implementation issues of the charging arrangements of ICFS.

26. DG/Tel further advised that under the current legislation, TA could not pre-empt the commercial negotiations and agreements of the parties concerned by stating his view on the level of the access charge for an interconnection. However, TA might make a determination at the request of either party to the interconnection, or in the absence of such request, if he considered that it was in the interest of the public to do so. In fact, TA was fully aware of the uncertainty caused to the operators in the absence of a clear set of charging arrangements. He had already indicated in his Statement issued on 25 January 2003 that he would consider initiating a determination four weeks after the issuance of the Statement in the interest of the public as resolving the matter early would remove uncertainty and avoid increasing the liability of ETS providers indefinitely. DG/Tel further pointed out that in determining the level of the access charge, TA would base on the reasonable costs attributable to interconnection and might select the costing method that he considered fair and reasonable, having regard to the representations made by the parties concerned.

27. On the time required and the procedures involved in the determination process, DG/Tel advised that depending on individual cases, it normally took 4½ to 6 months for TA to make a determination. In general, the necessary procedures included a preliminary proposal on the terms and conditions of the interconnection charge made by TA after he had considered the representations, if any, made by parties concerned. The proposal would be sent to the parties concerned for comments. Then, TA would finalize his determination after considering the comments received. The progress of cases pending determination and the procedures involved were published on OFTA's website.

28. The Chairman reiterated that the absence of any agreement on the charging arrangements and the retrospective effect of such charging arrangements would place an enormous burden on the ETS providers which also had to face an unknown extent of liability. He urged the Administration to take active steps to resolve the way forward. To minimize the extent of the problem, Mr MA Fung-kwok suggested that TA should consider not to set the effective date for payment of access charges retrospectively to 11June 2002.

29. In this regard, DG/Tel informed the meeting that when TA indicated his intention to make a determination in around September/October 2002, the parties concerned had raised objection and requested for an opportunity to negotiate among themselves for a commercial agreement. On the other hand, it might not be in the interest of the public if the issue was entirely left to the market. As to whether the payment of charges should take retrospective effect, DG/Tel advised that if the parties concerned agreed that no interconnection charge should be payable during the period since 11 June 2002, the charging arrangement could take effect from the date of the commercial agreement, or the date of TA's determination. DG/Tel nevertheless pointed out that despite the grave concern raised, none of the parties concerned had so far requested TA's determination.

30. Dr LAW Chi-kwong urged for early resolution of the matter in the interest of the public. Ms Emily LAU also said that TA should consider the operators' concerns and deal with the matter expeditiously. In response, DG/Tel highlighted that if no commercial agreement could be reached four weeks after the issue of his Statement on 25 January 2003, or upon the request of any of the parties concerned, TA would likely proceed to initiate a determination unless there appeared new evidence suggesting otherwise. In fact, TA had met and discussed with the parties concerned on interconnection charges on several occasions, but such mediation effort had been in vain.

31. The Chairman requested the Administration to report the outcome, if any, on the negotiation between ETS providers and MNOs for ICFS for incoming calls to mobile numbers; and the decision of TA on whether or not to make a determination if the parties concerned could not reach an agreement. The Chairman also requested the Administration to notify the Panel of further progress accordingly. The Administration took note of the Chairman's

request.

*Mainland Termination Charge*

32. At the invitation of the Chairman, DG/Tel recapped the background of the increase in Mainland terminal charge and gave a comparison on the wholesale and retail external service prices for call services to the Mainland. He confirmed that as to date, there was no evidence to suggest that the retail external service rates offered by the external fixed network operators were lower than the wholesale rates available in the market. Moreover, as Hong Kong external carriers were still negotiating the termination rates with their counterparts in the Mainland, there was no evidence at this stage to conclude that any Hong Kong operator had received preferential treatment from the Mainland operators.

33. The Chairman highlighted the need to provide certainty to operators providing call services to the Mainland, instead of the present arrangement in which the parties concerned would negotiate for the Mainland termination charge from month to month. DG/Tel concurred with the Chairman's view and said that the Administration would continue discussion with the regulatory authority in the Mainland with a view to formulating a long-term and stable arrangement in determining the Mainland termination charge.

34. Given the dominant position of the incumbent telecom operator in the Mainland, the Chairman enquired about the role of OFTA in monitoring the progress of negotiation between external carriers in Hong Kong and their Mainland counterpart. In reply, DG/Tel stressed that OFTA would not intervene in the negotiation as long as the outcome was consistent with market principles. However, when necessary, OFTA would approach its Mainland counterpart and follow up progress accordingly.

35. Noting that TA might invoke section 6B of TO in case there was unfair market competition in Hong Kong arising from the preferential treatment received by certain Hong Kong operators from Mainland operators, Ms Emily LAU enquired about the enforcement action to be taken by TA under the said section.

36. In response, DG/Tel pointed out that section 6B of TO was binding on local licensees only. If there was any evidence of unfair market competition in Hong Kong caused by any agreement or arrangement between a Hong Kong operator and a supplier outside Hong Kong, section 6B of TO might be invoked to direct the Hong Kong operator to take such action as necessary to restore fair market competition. Depending on the circumstances of individual cases, for example, the TA might require the Hong Kong operator not to apply the terms of the agreement on Mainland terminal charges in Hong Kong, or to re-distribute the profit resulting from such preferential treatment to other retailers. TA also advised that so far, section 6B of TO had not been invoked. TA could initiate an investigation on his own accord or on receipt of complaint. If an operator was aggrieved by TA's decision under section 6B of TO, it could

appeal against TA's decision(s).

## **VI Telephone traffic congestion on 11 September 2002**

LC Paper No. CB(1)624/02-03(01) -- Report on the Findings and Recommended Measures in relation to Telephone Network Congestion on 11 September 2002

LC Paper No. CB(1)299/02-03 -- Extract of minutes of meeting held on 17 September 2002 (paras. 28 to 42)

LC Paper No. CB(1)228/02-03(01) -- "A note on previous cases of telephone traffic congestion due to typhoon or heavy rain" provided by the Administration as a follow-up to the meeting on 17 September 2002

37. At the invitation of the Chairman, DG/Tel briefed members on the report on the findings and recommended measures in relation to the telephone network congestion on 11 September 2002. Members noted that OFTA had commissioned a consultancy study on the technical capacity, performance and capability of local fixed and mobile networks vis-à-vis the best international practices under severe weather conditions. The report included a review on the sequence of events on 11 September 2002, findings on network capabilities and management of telephone congestion and measures to ease congestion and reduce demands.

38. To help reduce network traffic, Mr Howard YOUNG suggested that mobile service operators should be encouraged to issue the pre-8 typhoon message or No 8 typhoon signal message through their short message service (SMS) free of charge to their subscribers. In response, DG/Tel pointed out that announcing the typhoon information through radio broadcasts was the fastest dissemination means as it took a much longer time to disseminate the information through SMS to some 5 million mobile service subscribers. While the Administration could not compel the mobile service operators to provide SMS free of charge during inclement weather conditions, it might be possible that some operators were ready to do so in order to enhance their competitiveness.

39. Apart from the recommendation to synchronize the relevant announcements made by the Education Department (ED) and Hong Kong Observatory, Ms Emily LAU was concerned that the other six measures proposed to ease network congestion might not be effective in preventing the recurrence of the same problem. She highlighted that it was unlikely for the

public to use alternative means other than telephone lines for communication during emergency situations when they would normally resort to the most convenient and direct means. She also cast doubt on Government agencies' readiness in using alternative communications means among themselves during emergency situations.

40. Referring to three past cases of telephone traffic congestion in 2001 due to typhoon or heavy rain (LC Paper No. CB(1)228/02-03(01)), DG/Tel pointed out that the increase in telephone traffic on these occasions was manageable and no serious congestion had been caused. On network capacity, Ovum (the commissioned consultant) concluded that there were no fundamental shortcomings in the design of the networks in Hong Kong, which were designed in accordance with best international practice. DG/Tel believed that synchronizing ED's announcement on closure of schools with that of HKO on the issue of the Pre-8 typhoon message or No. 8 typhoon signal would reduce the number of calls made by parents to schools, and hence, reduce the burden on the telecommunications networks. It was also recommended that schools which needed to dispatch identical notices in emergency conditions should consider making use of non-voice means for notification, such as by developing an email or SMS contact list, and posting messages on the school's website. Besides, the public would be educated to make only important calls, keep the calls short and avoid making frequent call attempts at times of emergency and network congestion.

41. Dr LAW Chi-kwong sought details on how ED would encourage schools to use alternative telecommunications facilities. The Chairman remarked that based on his personal experience, ED seemed quite reluctant to encourage schools to employ non-voice alternative facilities for communications, probably due to cost consideration.

42. In response, DG/Tel advised that OFTA had all along encouraged the development of the use of SMS among mobile service operators. He recalled that colleagues in ED whom OFTA had worked with had actively followed up the wider use of SMS by schools. DSCIT(ITB)1 added that some schools had in fact started to use SMS in their communication with parents.

43. Noting that OFTA would consider broadcasting special messages on TV and radio if there was severe telephone congestion at a particular hour of a day, the Chairman enquired about the level of network traffic that would trigger such action. In reply, DG/Tel explained that during emergency situations, a designated team of staff from OFTA would maintain close liaison with fixed-line and mobile network operators as well as Government agencies, and monitored network traffic. In case severe congestion was detected in the network systems, OFTA would arrange to broadcast special messages to advise the public to make fewer telephone calls and keep the calls short.

## **VII 2002 Surveys on IT Usage and Penetration in the Household and Business Sectors**

LC Paper No. CB(1)497/02-03(01) -- Report on 2002 Annual Survey on Information Technology Usage and Penetration in the Business Sector

LC Paper No. CB(1)497/02-03(02) -- Thematic Household Survey Report No. 10

LC Paper No. CB(1)627/02-03(02) -- Information paper provided by the Administration

LC Paper No. CB(1)820/02-03(01) -- Power-point presentation material provided by the Administration  
(*tabled at the meeting and circulated to members on 29 January 2003*)

44. With the aid of power-point presentation, the Principal Assistant Secretary for Commerce, Industry and Technology (Information Technology and Broadcasting) (PASCIT(ITB)) presented the major findings of the two Survey Reports.

45. Members noted that in the Household Survey, persons aged 10 and above in the enumerated households had been selected for interview in respect of their knowledge of using personal computers (PC), Chinese input methods as well as their usage of PC and Internet; and persons aged 15 and above had been selected for interview in connection with usage of electronic business services and online Government services for personal matters during the 12 months before enumeration. Mr Howard YOUNG was concerned that such age boundaries might render the survey results less realistic since elderly people who normally did not utilize PC and associated applications (such as Internet service and electronic business activities) had also been included in the survey.

46. In response, PASCIT(ITB) explained that of each enumerated household, the household head or a person knowledgeable in the subject was first interviewed regarding the number and type of PCs the household had and the PCs' connections, if any, to the Internet. Then, all persons aged 10 and above were interviewed on their knowledge of using PCs and associated applications, and those aged 15 and above were interviewed on their usage of electronic business services. A breakdown of survey results by age group on knowledge of using PCs, usage of PCs and associated applications was available in the main Report.

47. Ms Emily LAU enquired about the reason for the drop in the percentage



of medium-sized establishments using PCs in 2002 (76.6%) as compared to that in 2001 (79.2%). In response, the Senior Statistician 1, Census and Statistics Department pointed out that the difference was in fact not statistically significant (i.e. the difference can largely be explained by the sampling error in the two rounds of survey). Also relevant was that as the establishments were classified according to their number of employees, some medium-sized establishments might have changed in this aspect and thus had been classified as either large or small establishments in 2002, and vice versa.

48. Summing up, the Chairman said that the Panel supported the Administration's effort in conducting the two IT related surveys. The Deputy Secretary for Commerce, Industry and Technology (Information Technology and Broadcasting)<sup>2</sup> (DSCIT(ITB)<sup>2</sup>) confirmed that it was the Administration's plan to conduct the surveys in question on an annual basis.

### **VIII Any other business**

#### Issues relating to the "SQL Slammer"

49. The Chairman informed members that the issue had been included into the agenda urgently in the wake of the outbreak of the SQL Slammer about two days ago. At the invitation of the Chairman, PASCIT(ITB) tabled the Administration's paper and outlined the outbreak of the SQL Slammer and its impact on Hong Kong. She also pointed out that contrary to some media reports, there was no evidence to suggest that the worm had any linkage with Hong Kong.

*(Post-meeting note: The said paper was circulated to members after the meeting on 29 January 2003 vide LC Paper No CB(1)820/02-03(02))*

50. Apart from the eight reports received by the Hong Kong Computer Emergency Response Team Coordination Centre (HKCERT/CC), the Chairman asked if the Administration had obtained relevant information from the Internet service providers (ISPs) with a view to ascertaining the extent of the problem in Hong Kong.

51. In reply, the Centre Manager of HKCERT/CC said that none of the ISPs had reported any infection by the worm despite a network slowdown in the afternoon of 25 January 2003 (Saturday). The Chief Superintendent, Commercial Crime Bureau of Hong Kong Police Force added that according to the Chairman of the ISP Association, they had not been affected by the worm in this incident.

52. As to why there was a network slowdown in the afternoon of 25 January 2003, the Chief Systems Manager, Information Technology Services Department pointed out that according to the statistics of Hong Kong Internet

Exchange (HKIX), the traffic flow of local networks in the afternoon of 25 January 2003 had been within the normal range. However, since the statistics did not cover traffic flow between local and overseas networks, network slowdown as experienced by some people might be due to the disruption caused by the worm to overseas websites which were being browsed by local users. He further confirmed that both the network flow of and number of visitors to Government websites were normal.

53. Mr Howard YOUNG noticed that while users were browsing the web, sometimes certain messages would pop up inviting the users to download updated programmes or new software. He enquired whether the relatively small impact of SQL Slammer on Hong Kong was attributable to the fact that local users were mindful of computer security and had duly installed the software patch provided by the software vendor in July 2002 to rectify the problem.

54. DSCIT(ITB)2 concurred with Mr YOUNG's observation. He reported that the vulnerability exploited by SQL Slammer was first identified in July 2002 and the vendor of the software had made publicly available a software patch to rectify the problem. At that time, the Information Technology Services Department had already issued security alert of the vulnerability and distributed the related software patches to Government bureaux and departments.

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