

立法會
Legislative Council

LC Paper No. CB(1)1028/04-05
(These minutes have been seen
by the Administration)

Ref : CB1/PL/ITB/1

Panel on Information Technology and Broadcasting

Minutes of meeting
held on Friday, 4 February 2005, at 8:30 am
in Conference Room A of the Legislative Council Building

Members present : Hon SIN Chung-kai, JP (Chairman)
Hon Albert Jinghan CHENG (Deputy Chairman)
Dr Hon LUI Ming-wah, JP
Hon Jasper TSANG Yok-sing, GBS, JP
Hon Howard YOUNG, SBS, JP

Member absent : Hon Timothy FOK Tsun-ting, GBS, JP

Public officers attending : Agenda Item IV

Mrs Marion LAI, JP
Deputy Secretary for Commerce, Industry and
Technology (Communications and Technology)

Ms Lorna WONG
Commissioner for Television and Entertainment
Licensing

Miss Angela LUK
Assistant Commissioner for Television and
Entertainment Licensing (Entertainment)

Agenda Item V

Mr Tony LI
Principal Assistant Secretary for Commerce, Industry
and Technology (Communications and Technology)

Mr Lawrence KWAN
Acting Assistant Director of Telecommunications
(Support)

Agenda Item VI

Mr Stephen MAK, JP
Deputy Government Chief Information Officer
(Operation)

Mrs Eliza LEE
Chief Systems Manager
(Community and Industry Liaison)
Office of the Government Chief Information Officer

Mr Stephen LEUNG Kwan-chi
Senior Statistician (Sectoral Economic)
Census and Statistics Department

Mr SIU Yiu-choi
Senior Statistician (Social)
Census and Statistics Department

Agenda Item VII

Mr Francis HO, JP
Permanent Secretary for Commerce, Industry and
Technology (Communications and Technology)

Mr Howard DICKSON
Government Chief Information Officer

Mrs Betty FUNG, JP
Deputy Government Chief Information Officer
(Planning & Strategy)

Mr Stephen MAK, JP
Deputy Government Chief Information Officer
(Operation)

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

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

Ms Sharon CHAN
Legislative Assistant (1)6

Action

I Confirmation of minutes and matters arising

LC Paper No. CB(1)816/04-05 -- Minutes of meeting held on
10 January 2005

The minutes of the Panel meeting on 10 January 2005 were confirmed.

II Papers issued since last meeting

2. Members noted that no paper had been issued since last meeting.

III Date and items for discussion for next meeting

LC Paper No. CB(1)813/04-05(01) -- List of outstanding items for
discussion

LC Paper No. CB(1)813/04-05(02) -- List of follow-up actions

3. Members agreed to discuss the following items proposed by the
Administration at the next meeting to be held on 14 March 2005:

- (a) E-government – The Next Wave
- (b) Report on result of consultation on proposals to contain the problem
of unsolicited electronic messages
- (c) Consultation exercise on the licensing framework for the deployment
of broadband wireless access
- (d) Revision of Fees of Broadcasting Licence and Entertainment Special
Effects Licence

IV Operation of Film Guarantee Fund

LC Paper No CB(1)813/04-05(03) -- Information paper provided by
Administration

LC Paper No CB(1)812/04-05 -- Background brief on Film
Guarantee Fund prepared by the
Secretariat

4. At the invitation of the Chairman, the Commissioner for Television and Entertainment Licensing (C for T&EL) briefed members on the Administration's proposal for continuing the operation of the Film Guarantee Fund (FGF), which would expire on 31 March 2005, and the revival of a funding scheme to finance projects conducive to the long-term development of the film industry. In gist, the Administration recommended that the commitment of the FGF scheme be reduced from \$50 million to \$30 million and a minor modification be introduced to the eligibility criteria. Meanwhile, the \$20 million arising from the reduced commitment of the FGF would be used to create a commitment to finance projects conducive to the long-term development of the film industry such as technical training and investment in post-production infrastructure. Members noted that the Administration planned to submit the relevant funding proposal to the Finance Committee on 4 March 2005.

Continuation of FGF

Guarantee ceiling

5. Referring to the six films for which loan guarantees had been approved under the FGF, Mr Howard YOUNG enquired on the level of their production budget vis-à-vis that of other local productions. He was also concerned whether the guarantee ceiling would discourage film companies which planned to produce films with big budgets from applying for assistance under FGF.

6. In response, C for T&EL advised that the production budget of the six films in question ranged between \$5.84 million and \$34.48 million. She said that in general, a production budget of \$5 to \$6 million was considered an average budget for a film while a budget exceeding \$10 million would be a high-cost production. As to why only two participating lending institutions (PLIs) were involved in the six approved projects under FGF, C for T&EL anticipated that more PLIs would take part in film financing as they became more conversant with the arrangement and acquired better understanding in offering loan facilities to film productions through the FGF scheme.

7. On the guarantee ceiling under FGF, C for T&EL explained that as a majority of local films produced in the past had a film production budget not exceeding \$7.5 million, this budget level was used as the reference for determining the maximum amount of loan guarantee to be provided by the FGF for each film project, i.e. for films with budget at or below \$7.5 million, the production budget of the film would be used to work out the amount of loan guarantee. For films with budget above \$7.5 million, the amount of \$7.5 million would be used to work out the amount of loan guarantee. C for T&EL recalled that the budget ceiling of \$7.5 million had been raised in response to suggestions from the film industry during the consultation exercise in October 2002 so as to benefit large productions and provide greater flexibility. However, to protect the scheme from exposure to excessive risks, the amount of the loan guarantee provided by the scheme for each film was capped at \$2.625 million.

Under the existing FGF scheme, the PLI would provide a loan of not more than 70% of the film production budget and the FGF would provide a 50% guarantee to a maximum of \$5.25 million out of the loan provided by the PLI. In other words, the maximum loan guarantee for each film would be \$2.625 million.

Eligibility for FGF

8. Dr LUI Ming-wah sought information on the box office receipts for the six films supported by the FGF. He considered that successful projects with good box office receipts would help strengthen the confidence of PLIs in financing film productions.

9. In response, C for T&EL highlighted that the purpose of the FGF was to help promote a film financing infrastructure in Hong Kong so as to foster the development the film industry. She informed members that prior to the implementation of the FGF, local lending institutions had been hesitant to provide finance for film-making due to the lack of exposure to this field. The recently concluded review of the FGF showed that both local PLIs and the film industry supported the continuation of the FGF. C for T&EL further advised that under the FGF scheme, an approved film project would be considered a successful case if the film production company concerned could repay the loan according to the payment schedule. She confirmed that so far, there had not been any incidence of default payment. While box office receipt was not an eligibility criterion for the FGF, C for T&EL agreed to provide for members' reference information on the box office receipts of the six approved film projects when such information was available.

Admin

10. Dr LUI Ming-wah expressed his concern about the proposed track record requirement for eligibility under FGF (i.e. at least two films produced by the applicant in the past ten years for commercial theatrical release in Hong Kong prior to application) and considered that such a requirement would be of little help to new market entrants, no matter how talented they were, to obtain film financing through the FGF because these personnel might not have acquired the requisite track record. He also remarked that an experienced film-maker meeting the requirement should be able to secure film financing from sources other than the FGF. Dr LUI indicated that he would support the FGF scheme if it could provide assistance to new talented entrants in film-making.

11. As regards the track record requirement, C for T&EL highlighted that sufficient flexibility had already been provided under FGF. The track record requirement of producing at least two films in the past ten years for commercial theatrical release in Hong Kong prior to application could apply to either the film production company or the producer/director of the film in question. Hence, in case of a newly formed company with no track record, it was eligible to apply for FGF if the producer or the director of the film in question could fulfil the track record requirement. Similarly, new directors or producers could link up with more experienced partners or film production companies to benefit under the

scheme. She added that the track record requirement could also give confidence to local banks for providing loans to support film productions under the FGF scheme.

Role of FGF

12. Dr LUI Ming-wah recapped the Administration's promulgated policy objective to develop and promote cultural and creative industries. He suggested that to help fulfil this objective, consideration should be given to using funds in the FGF as a form of seed money to provide support to aspiring film-makers so as to encourage the production of more creative works. The Deputy Chairman shared Dr LUI Ming-wah's view and considered that FGF should not be used to support films with big production budget because they were usually produced by experienced film-makers who usually would not have great difficulty in securing film financing on their own.

Admin

13. On Dr LUI Ming-wah's suggestion, C for T&EL said that as she understood, funding for film productions which operated in the form of seed money were currently available in the market. She expressed reservation in disbursing funds in FGF as a form of seed money because this would change the nature of FGF and deviate from the intended objective of building a local film-financing infrastructure. C for T&EL further advised that in working out the FGF scheme, the Administration had made reference to the experience of overseas countries such as the United States (US) in film financing where lender financing was a common financial tool. Nevertheless, C for T&EL noted Dr LUI's suggestion and agreed to explore with the film industry in a separate context the possibility of providing further financial support for new entrants in the form of seed money

14. The Deputy Chairman remarked that the government officials were not conversant with film production and film financing. He was very concerned about the role of the FGF and the way it was administered. He considered that the lending institutions were willing to participate in the FGF mainly because of the loan guarantee provided by the Government and that if the Government intended to develop a local film financing infrastructure through the FGF scheme, it should draw on the experience of film financing in overseas countries. The Deputy Chairman shared with members his understanding that film financing in US was a form of high-risk investment usually undertaken by merchant banks or corporate finance companies, and administered in the form of syndicated loans or special funds. The investors did not simply seek financial return in the form of interest repayment, but also expected to share profits from box office receipts. He also understood that in case of investment losses, investors might seek tax relief. As such, the Deputy Chairman pointed out that from an investor's point of view, box office receipt was a major consideration in film financing.

15. While noting the Deputy Chairman's view, C for T&EL referred to the operation of the FGF and stressed that as revealed in the recent review, the film

industry generally supported the continuation of the FGF because it had proved to be effective in facilitating them to obtain financing. The PLIs also considered that the FGF scheme had enabled them to tap business opportunities in film financing. Given that the FGF had provided loan guarantee support to six film projects in just 18 months after its establishment, C for T&EL considered that the scheme had been effective in initiating a local film financing infrastructure. In this regard, the Deputy Chairman remarked that it was understandable that the film industry and PLIs would support the FGF scheme which had been set up to address their needs. While stating his support for the development of creative industries and the film industry, the Deputy Chairman maintained his concern about the role of the FGF in its current form and expressed his reservation on the Administration's proposal.

16. The Chairman said that the Democratic Party was in support of the Administration's proposal. For the meeting's information, he recapped that the Panel had met with the industry in December 2003 and there was general support for the setting up of the FGF.

Revival of a direct funding scheme

17. While expressing support for the proposed revival of a funding scheme similar to the Film Development Fund (FDF), Mr Howard YOUNG sought the Administration's explanation on the proposed redeployment of \$20 million to create the new commitment, given that in January 2003, \$50 million from FDF had been redeployed for setting up the FGF.

18. C for T&EL highlighted that the film industry had expressed support for the continuation of both FDF and FGF with the currently proposed modifications which were considered to be beneficial to the long-term development of the film industry. She highlighted that the film industry was facing new challenges such as competition from the Mainland and other Asian countries, increasing availability of new home entertainment options, and the use of advanced special effects in post-production to enhance the appeal of films to moviegoers. To remain competitive in the region and to capture new market opportunities arising from the implementation of the Closer Economic Partnership Arrangement, C for T&EL pointed out that the revival of a funding scheme similar to the FDF could help the industry sharpen their competitive edge in key areas such as production capabilities and training of personnel.

19. Mr Howard YOUNG pointed out that unlike the FGF which operated on a revolving basis with the repaid loans ploughed back into the scheme, the proposed funding scheme would provide direct funding and would eventually be exhausted. As such, he considered that the scheme should be used to support projects which could bring value-added and longer-term benefits to the film industry such as seminars and training workshops, instead of funding projects such as the Hong Kong Film Awards Presentation Ceremony which was a single event which might be of limited benefit to film-makers.

20. On projects supported by the FDF or the new funding scheme, C for T&EL remarked that all sponsored projects, including workshops, seminars, training courses and presentation ceremonies would benefit the film industry in different ways. She stressed that the Hong Kong Film Awards Presentation Ceremony was a major annual event that had helped promote Hong Kong films effectively in the region. C for T&EL further advised that in view of the high budget of the annual event, the Administration had urged the event organizer, the Hong Kong Film Awards Association Ltd, to identify other revenue sources such as ticketing sales, seeking commercial sponsorship and selling broadcast rights. In March 2005, the event would be one of the eight major events of the Entertainment Expo. C for T&EL believed that the synergy of the Expo could help enhance Hong Kong's position as a world-class film-making hub.

Concluding remarks

21. Summing up, the Chairman requested the Administration to take note of the views and concerns raised by members on the proposed changes to FGF and related issues. Having regard to the views expressed by members, the Chairman concluded that the Panel had not reached a common position on the Administration's proposal.

V Reduction of licence fee for mobile carrier licences

LC Paper No CB(1)813/04-05(04) -- Information paper provided by Administration

22. Members noted that the Administration proposed to reduce the annual licence fee for mobile stations under the Public Radiocommunications Service Licences, Mobile Carrier Licences, and Public Non-exclusive Telecommunications Service Licences from \$20 to \$18 per mobile station with effect from 1 May 2005. Members understood that the licence fees charged on a cost-recovery basis by the Office of Telecommunications Authority (OFTA) which operated as a Trading Fund.

23. In reply to the Chairman's enquiry, the Acting Assistant Director of Telecommunications (Support) advised that according to the statistics of OFTA, the number of mobile stations, i.e. the number of mobile phone subscribers had increased by 8.7% from 6.5 million in December 2003 to 7.1 million in October 2004. As such, OFTA's licence administration costs per mobile station had decreased. The Government therefore proposed to reduce the annual licence fee per mobile station correspondingly by about 10%.

24. In conclusion, the Chairman said that the Panel was in support of the proposal.

VI 2004 Surveys on IT Usage and Penetration in the Household and Business Sector

- LC Paper No CB(1)813/04-05(05) -- Information paper provided by Administration
- LC Paper No CB(1)474/04-05(01) -- Report on 2004 Annual Survey on Information Technology Usage and Penetration in the Business Sector
- LC Paper No CB(1)474/04-05(02) -- Thematic Household Survey Report No. 20
- LC Paper No. CB(1)859/04-05(01) -- Power-point presentation material on "2004 Surveys on IT Usage and Penetration in the Household and Business Sector"
(tabled and subsequently issued to members on 4 February 2005)

25. The Deputy Government Chief Information Officer (Operation) (DGCIO(O)) informed members that the Government had conducted annual surveys since 2000 to assess the usage and penetration of IT in the community and business sectors. With the aid of power-point presentation, the Chief Systems Manager (Community and Industry Liaison) of the Office of the Government Chief Information Officer presented the major findings of the two Survey Reports. On the comparison of IT penetration in Hong Kong with that of other economies, she highlighted that the relative rankings might not be strictly comparable because the IT surveys in other economies were carried out at different times and the latest available statistics of these economies had been used. Nevertheless, the statistics obtained from different sources generally indicated that Hong Kong compared well in household IT penetration and usage with other advanced economies.

Purpose and impact of the Surveys

26. In reply to Mr Jasper TSANG on the purpose of the two Surveys and whether the outcomes would have an impact on Government policies, DGCIO(O) informed members that the statistics had provided useful reference for the Government in formulating strategies and initiatives to promote IT development and adoption in Hong Kong, in particular measures to bridge the digital divide in the community and to enhance the IT capabilities of small and medium enterprises (SMEs). Measures to raise public awareness and promote wider adoption of IT in the community included the provision of over 5 000 sets of personal computers (PC) for free use by members of the public, the establishment of cyber centres and the provision of free public enquiry service on general

problems encountered in using IT.

Admin

27. Referring to the problem of digital divide, the Chairman advised that the Administration should forward the relevant survey findings to the Commission on Poverty for consideration and follow-up.

28. Referring to the Thematic Household Survey, Mr Jasper TSANG enquired about the relationship between households with PC and Internet connection and household income. In response, the Senior Statistician (Social) of the Census and Statistics Department confirmed that PC and Internet penetration rates for households correlated positively with household income, i.e. PC and Internet penetration rates were higher among those households with higher monthly household income.

Online purchasing services

29. Mr Jasper TSANG was concerned about the relatively low usage rate of online purchasing in Hong Kong vis-à-vis that of other advanced economies. In reply, DGCIO(O) informed members that the Government had already put in place the legal framework to enhance the certainty and security in conducting electronic transactions. At present, online purchasing was not very widely adopted locally probably because it was highly convenient for customers to shop around in Hong Kong. While he did not have the relevant statistics at hand, DGCIO(O) understood that in other advanced economies, there was not yet a great preference among users for the option of online purchasing.

30. Mr Howard YOUNG considered that owing to its geographical characteristics, Hong Kong might not need to be on par with other economies in the use of online purchasing services. He pointed out that the relatively slow adoption of online purchasing in Hong Kong might help sustain the business of retailers which sold their products or services through the conventional means or at physical outlets. For example, since not many customers would purchase air tickets online from the airlines companies, local travel agents could continue with their business of selling air tickets. Mr YOUNG suggested that the Administration should focus its efforts on promoting the wider use of other types of online services such as fee payments and e-government services.

31. The Deputy Chairman held a different view and considered that the retail sector should keep abreast of technological advancement, notably IT adoption. He urged the Administration to assist the retail sector to explore business opportunities arising from online purchasing services.

32. In response, DGCIO(O) remarked that while the Government would not seek to intervene into the business operation of individual sectors, it would continue with its effort to help various sectors of the economy to harness the full potential and benefits of IT, including the development of online purchasing, in advancing their business opportunities.

The way forward

33. In reply to the Chairman's question about the future direction of the two Surveys, DGCIO(O) confirmed that the two Surveys would continue to be carried out annually. However, the Administration would examine whether it was necessary to adjust the survey scope and types of respondents in line with the Government's IT strategies and policy initiatives and with reference to the outcomes of similar surveys in other advanced economies.

VII Progress Report on the Implementation of the 2004 Digital 21 Strategy and Action Plan for 2005

LC Paper No CB(1)813/04-05(06) -- Information paper provided by Administration

LC Paper No CB(1)859/04-05(02) -- Power-point presentation material on "Progress Report on the Implementation of the 2004 Digital 21 Strategy and Action Plan for 2005"
(tabled and subsequently issued to members on 4 February 2005)

34. The Chairman welcomed Mr Howard DICKSON, newly appointed Government Chief Information Officer, to the meeting.

35. At the invitation of the Chairman, the Permanent Secretary for Commerce, Industry and Technology (Communications and Technology) reported on the progress made in 2004 in implementing the updated Digital 21 Strategy, as well as the targets and action plans for 2005 and beyond. He updated members that the Government would consult the public on its proposal to set up a unified regulator by merging the Broadcasting Authority and the Telecommunications Authority in the second quarter of 2005, instead of the first quarter of 2005 as previously advised in its information paper (CB(1)813/04-05(06)).

36. With the aid of power-point presentation, the Deputy Government Chief Information Officer (Planning and Strategy) (DGCIO(P&S)) briefed members on the progress made in 2004 as well as the proposed specific targets, actions and plans for 2005 of the following eight main areas under the 2004 Digital 21 Strategy:

- (a) government leadership;
- (b) sustainable e-government programme;
- (c) infrastructure and business environment;
- (d) institutional review;
- (e) technological development;
- (f) vibrant IT industry;

- (g) human resource in a knowledge economy; and
- (h) bridging the digital divide

Sector-specific programmes to drive adoption of e-business

37. Noting that the Administration had rolled out two sector-specific programmes in 2004 to encourage the wider adoption of IT among travel agents and private medical practitioners, Mr Howard YOUNG was concerned whether similar programmes would be launched for other business sectors such as among Chinese medicine practitioners in future.

38. On the two e-transformation programmes launched in 2004, DGCIO(O) advised that the Office of Government Chief Information Officer (OGCIO), Travel Industry Council of Hong Kong and Hong Kong Information Technology Federation had co-operated to launch the “e-Transformation Scheme for the Travel Industry” to encourage travel agents adopt IT in their business operations. Under the “e-Transformation Scheme for Medical Doctors”, doctors, nurses and drug dispensers in private practice were encouraged to make more use of IT in their work and to exchange information with the Government electronically. DGCIO(O) further said that the Administration planned to launch similar programmes in the first half of 2005 for two other sectors, viz, the transport sector within the logistics industry, and retail pharmacists. DGCIO(O) highlighted that it was the Administration’s plan to launch around four sector-specific programmes each year. While there was no plan to launch a similar programme for the Chinese medicine sector at this stage, he advised that practitioners in the sector might take part in OGCIO’s promotional programmes of a more general nature in which practitioners from various sectors could participate and upgrade their IT capabilities.

39. On the criteria of selecting the relevant sectors for the purpose of launching sector-specific programmes, DGCIO(O) advised that there was no hard and fast criteria. Individual sectors were welcomed to sound out their needs to the Government, just as the “e-Transformation Scheme for Medical Doctors” which was recommended to be launched by the Health, Welfare and Food Bureau. Besides, the Administration would also keep in view market developments. For example, a sector might be selected for the programme in order that it could be made aware of readily available IT applications/solutions in the market which might have escaped the attention of the sector concerned. The Administration would also enhance the e-transformation of those sectors in their transactions with the Government. The selection of pharmacists in the retail sector was a case in point. Since a standardized coding system for western medicines was already in place, the wider adoption of IT would enable the exchange of relevant information electronically between the Government and pharmacists and help promote e-commerce. DGCIO(P&S) supplemented that the Administration would also drive the adoption of IT in the business sector through its e-government programme. For example, if the Government promoted e-procurement, suppliers would have to submit their bids electronically and make

more use of IT in their future dealings with the Government over supply matters, thereby promoting e-business.

VIII Any other business

40. There being no other business, the meeting ended at 10:10 am.

Council Business Division 1
Legislative Council Secretariat
9 March 2005