

For information

## **Legislative Council Panel on Commerce and Industry**

### **Follow-up to the meeting on 19 February 2008 Rental Rights for Films**

#### **Introduction**

This paper informs Members of the consensus reached between the Hong Kong Video Development Foundation Ltd (“the HKVDF”), which represented eleven major distributors in Hong Kong, and the Alliance of the Rental Industry (電影租賃業大聯盟 “the Alliance”) as regards the proposed video rental licensing scheme.

#### **Background**

2. At the Panel Meeting on 19 February, the Administration briefed Members on (a) the proposal to appoint 25 April as the date for commencing the provisions relating to rental rights for films; and (b) the latest state of play as regards discussions between the HKVDF and the Alliance on the related licensing scheme. On (b), Members noted that whilst a consensus between the two sides was yet to be reached, their differences were narrowing following positive dialogue and that the Administration had arranged a meeting between the two sides on 25 February in the hope of achieving an 11<sup>th</sup> hour settlement of outstanding issues, thereby clearing the way for Secretary for Commerce and Economic Development to sign the commencement notice in relation to (a) in time for gazettal on 29 February.

3. The Administration undertook to furnish the Panel with a report on the outcome of the meeting scheduled for 25 February.

#### **Consensus**

4. The two sides met on 25 February, in the presence of a representative from the Consumer Council. Following discussions, a consensus was reached regarding the video rental licensing scheme, i.e.: (a) setting the initial ceiling for rental licence fee at 130% of the retail version; (b) maintaining the above ceiling for one year, thereby providing time for the market to adapt; and (c) doing away with the requirement regarding deposit. Members of HKVDF also undertook to issue rental version of the films whenever they could secure the rental rights from copyright owners.

5. In brief, HKVDF, having taken into account the concerns raised by the industry and some legislators and relevant factors (including consumers' receptiveness to any price changes and the need to allow time for the market to adjust), agreed to implement the licensing scheme in a progressive manner. As regards the future mechanism for adjusting the level of rental licence fee, the meeting (including representative from the Consumer Council) agreed that the fee level should ultimately be decided by the market. The meeting also noted that the Copyright Tribunal has jurisdiction to hear reference of licensing scheme covering rental of films operated by licensing bodies.

**Gazettal of the commencement notice**

6. The related commencement notice has accordingly been gazetted on 29 February. Subject to LegCo's endorsement, the provisions relating to the rental rights for films will be brought into effect on 25 April.

**Commerce, Industry and Tourism Branch  
Commerce and Economic Development Bureau  
March 2008**