

ITEM FOR FINANCE COMMITTEE

**HEAD 47 – GOVERNMENT SECRETARIAT :
OFFICE OF THE GOVERNMENT CHIEF INFORMATION
OFFICER**

**HEAD 55 – GOVERNMENT SECRETARIAT :
COMMERCE AND ECONOMIC DEVELOPMENT
BUREAU (COMMUNICATIONS AND TECHNOLOGY
BRANCH)**

**HEAD 155 – GOVERNMENT SECRETARIAT :
INNOVATION AND TECHNOLOGY COMMISSION**

**HEAD 180 – TELEVISION AND ENTERTAINMENT LICENSING
AUTHORITY**

For the purpose of setting up a CreateSmart Initiative and establishing a new office entitled Create Hong Kong under the Communications and Technology Branch of the Commerce and Economic Development Bureau with effect from 1 June 2009 to further support Hong Kong's creative industries, Members are invited to approve the following changes to the 2009-10 Estimates from the same date –

- (a) creation of *Subhead 700 General non-recurrent* under Head 55;
- (b) creation of a new commitment of \$300 million entitled "CreateSmart Initiative" under Head 55;
- (c) transfer of non-recurrent commitments from Heads 155 and 180 to Head 55; and

/(d)

- (d) supplementary provisions of \$37,789,000 and \$85,659,000 to *Subhead 000 Operational expenses* and *Subhead 700 General non-recurrent* of Head 55 respectively.

Members are also invited to note that, subject to Members' approval of the commitment in (b) above, projects under the CreateSmart Initiative costing more than \$10 million each will be submitted to the Finance Committee for individual approval.

PROBLEM

There is a need to strengthen our support for creative industries and to consolidate the existing resources supporting specific sectors of the creative industries.

PROPOSAL

2. We propose the following changes to the 2009-10 Estimates of Expenditure with effect from 1 June 2009 –

- (a) creating *Subhead 700 General non-recurrent* under Head 55 Government Secretariat: Commerce and Economic Development Bureau (Communications and Technology Branch) (CTB);
- (b) creating a new commitment of \$300 million to set up a CreateSmart Initiative (CSI) to provide financial support to initiatives for the development of creative industries which are not covered by the DesignSmart Initiative (DSI), the Film Development Fund (FDF), and the Film Guarantee Fund (FGF);
- (c) transferring the non-recurrent commitments for the DSI and Hong Kong Design Centre (HKDC) under Head 155, and the FDF and FGF under Head 180 to Head 55; and
- (d) providing supplementary provisions of \$37,789,000 and \$85,659,000 to *Subhead 000 Operational expenses* and *Subhead 700 General non-recurrent* of Head 55 respectively.

/JUSTIFICATION

JUSTIFICATION

3. Creative industries are important economic drivers of Hong Kong. They help increase the innovation capacity of the economy and can be a powerhouse for future economic growth. According to the latest statistics, Hong Kong has around 32 000 creative industry-related establishments, with over 170 000 practitioners engaged, and creating an added value to our Gross Domestic Product (GDP) of over HK\$60 billion annually, representing around 4% of our GDP. If they can be supported and nurtured effectively, the potential of the creative economy is substantial. It is the Government's policy to promote the development of creative industries in Hong Kong.

4. On 29 April 2009, Members of the Establishment Subcommittee of the Finance Committee (FC) endorsed our proposal to establish a new office entitled Create Hong Kong (CreateHK) under CTB (vide EC(2009-10)1), which involves –

- (a) setting up the CreateHK through redeployment of resources from Innovation and Technology Commission (ITC), Office of the Government Chief Information Officer (OGCIO), Television and Entertainment Licensing Authority (TELA), and Trade and Industry Department (TID);
- (b) creating a post in the new grade and rank of Head of CreateHK to head the new office, to be offset by the deletion of an Administrative Officer Staff Grade C post in OGCIO;
- (c) consequentially revising and redistributing the duties and responsibilities among some of the directorate posts in ITC and OGCIO; and
- (d) adjusting the establishment ceiling placed on the total notional annual mid-point salary (NAMS) value of all non-directorate posts in the permanent establishment under Heads 47, 55, 155 and 180 in 2009-10 to facilitate the cost-neutral transfer of non-directorate posts as a result of (a).

With the establishment of the CreateHK, there will be better coordination within the Government to drive creative industries development and we would be able to better serve the industries through a one-stop service.

Existing Funding Support

5. The Government has been rendering financial support to different sectors of the creative industries through various Government bureaux and departments, including Commerce and Economic Development Bureau (CEDB),

Home Affairs Bureau, ITC, OGCI, TELA, etc. The major financial support measures for creative industries already provided by the departments under CEDB's purview amount to over \$750 million, which include the following –

- (a) the \$320 million FDF under TELA to provide financial support for the production of small-to-medium budget films and to finance projects which are beneficial to the healthy and long-term development of the film industry;
- (b) the \$30 million FGF under TELA to provide guarantee to help local film production companies to obtain loans from lending institutions for producing films and to stimulate the development of a film-financing infrastructure in Hong Kong;
- (c) the \$250 million DSI under ITC to promote innovation and design;
- (d) the \$100 million allocation to support the operation of the HKDC for five years; and
- (e) the \$56 million commitment under the Innovation and Technology Fund for the Incubation-cum-Training Programme of Cyberport which offers office space, training opportunities, international connection and promotional support services to new start-ups in the digital entertainment sector.

6. Despite these programmes of support for specific target sectors of the creative industries, we consider it necessary to provide broader financial support to extend the coverage to other creative industries sectors as well as to accommodate projects not covered by the scope of these existing supporting programmes. The Financial Secretary (FS) has earmarked \$300 million in the 2009-10 Budget to support Hong Kong's creative industries for the development of the creative economy in the coming three years. This is on top of the various funding schemes we have provided to support creative industries.

The CreateSmart Initiative

7. There are strong views from the community that the funding support from Government to drive the further development of the creative industries should be enhanced. In addition to those sectors currently supported through individual schemes, e.g. the DSI, FDF and FGF, creative industries consider that financial support from the Government should also be provided to other sectors of the industries as well. We agree and consider it necessary to set up the CSI to strengthen our support to the creative industries. The CSI will fund projects with objectives that are in line with our strategic direction to drive the development of the creative industries, namely –

/(a)

- (a) nurturing a pool of creative human capital which will form the backbone of our creative economy;
- (b) facilitating start-ups and the development of creative establishments;
- (c) generating demand for innovation and creativity and expanding the local market size for creative industries;
- (d) promoting Hong Kong creative industries in the Mainland and overseas to help explore outside markets;
- (e) fostering a creative atmosphere within the community;
- (f) developing creative clusters in the territory to generate synergy and facilitate exchanges; and
- (g) promoting Hong Kong as Asia's creative capital.

Encl. 1

The details of the creative economy development strategy are set out at Enclosure 1.

Scope and Eligibility

8. The CSI will provide targeted support to projects initiated by the creative industries sectors (e.g. architecture, comics, digital entertainment, advertising, music, publication, etc.), the CreateHK office and other government departments, except those project elements that are being/will be funded by other government sources. While the utilisation of funds under the CSI will be subject to the response of the creative industries and thus we do not intend to set a fixed apportionment ratio among different strategic areas, the proposed objectives and indicative split of CSI funding under each strategic area are set out in the following –

(a) Nurturing a pool of creative human capital which will form the backbone of our creative economy

9. \$45 million is estimated for nurturing creative human capital in different sectors of the creative industries by providing scholarship, internship and training programmes to talented youths and students, supporting creative talent to take part in overseas exchange programmes as well as international creative competitions to enhance their exposure. The funding will also support research projects in various fields of the creative industries.

/(b)

(b) Facilitating start-ups and the development of creative establishments

10. \$45 million is estimated for facilitating the start-ups of creative establishments by providing incubation and other support programmes to encourage the establishment of new enterprises and provide support so that they can grow healthily and meet the inevitable challenges they will face in the initial stage of their operation.

(c) Generating demand for innovation and creativity and expanding the local market size for creative industries

11. \$35 million is estimated for promoting the creative industries locally, generating local demand for innovation and creativity, and expanding the size of the local market for the benefit of the local creative industries.

(d) Promoting Hong Kong creative industries in the Mainland and overseas to help explore outside markets

12. \$70 million is estimated to assist the local creative industries to explore and develop Mainland and overseas markets. The provision will support various sectors in the creative industries to carry out promotional and marketing projects or to participate in fairs and exhibitions overseas or on the Mainland. The funding will also support projects initiated by non-government organisations or relevant industry/professional bodies to promote a particular creative industry sector or for cross-sector promotions. Examples include participation in the international creative industry exhibitions held in Shenzhen and Shanghai, or taking part in the Venice Biennale for Architecture.

(e) Fostering a creative atmosphere within the community

13. \$35 million is estimated for fostering a more creative atmosphere and environment within the local community and to develop audience, which is conducive to the enhancement of our creative capacity and the development of a sustainable local demand.

(f) Developing creative clusters in the territory to generate synergy and facilitate exchanges

14. \$35 million is estimated for building and strengthening creative clusters to become focal points for creative activities in the community and icons to facilitate the development of creative industries in Hong Kong. There is a strong pool of creative talent and activities in Hong Kong but they are at the moment scattered and not well organised. We aim to improve coordination among these talents and activities. If successful, clusters of creative industries should emerge providing a focus for the industries and adding momentum to their development.

(g) *Promoting Hong Kong as Asia's creative capital*

15. \$35 million is estimated for supporting and organising signature events to be held locally which would promote Hong Kong as Asia's creative capital, and develop Hong Kong's position in respect of creativity and innovation in the region.

Administration of the CreateSmart Initiative

Encl. 2 16. The CSI will be administered by the CreateHK office. The Permanent Secretary for Commerce and Economic Development (Communications and Technology) (PSCT) will be the controlling officer for the new commitment. Project elements covered by the DSI, FDF or FGF, and those which will receive or have received funding from other government sources are not eligible for funding support under the CSI. The proposed general eligibility and assessment criteria are set out at Enclosure 2.

Encl. 3 17. To ensure cost-effective deployment of resources under the CSI and better control of the approved projects, we propose to set up a vetting committee comprising members from the creative industries, academics and other relevant professions to assess funding applications and make recommendations to PSCT. Following the practice of project approval under DSI and FDF (paragraphs 20 and 21 below), PSCT will only approve projects under the CSI costing up to \$10 million each. For individual project the cost of which exceeds \$10 million, PSCT will seek the approval of FC. The general *modus operandi* of the CSI is at Enclosure 3. Subject to FC's approval for the CSI, we will work out the detailed vetting and assessment procedures. Clear guidelines will be set out for the vetting committee to avoid any possible conflict of interests.

18. Funds for projects under CSI will be disbursed by installments tying with appropriate milestones. Successful applicants will be required to submit reports and audited accounts upon completion of their projects to the CreateHK office for monitoring and vetting purposes.

Transfer of Existing Funding Commitments

19. To enhance synergy and better coordination of the various funding resources which are currently scattered among different agencies under CTB for the development of creative industries, we propose to pool these resources together under the centralised management of the CreateHK office.

DesignSmart Initiative

20. The \$250 million DSI was launched in 2004 to fund design-related activities and infrastructure. It is currently administered by the Design Team of the ITC with the Commissioner for Innovation and Technology (CIT) serving as the controlling officer. The DSI comprises two main components, namely the Design Support Programme (DSP) and the InnoCentre Programme. The DSP comprises four funding schemes to provide support for projects in design and branding-related research, design and business collaboration, professional continuing education and promotion of a design culture. The purpose of the InnoCentre is to provide a one-stop shop as the focal point for support and services related to design. The Hong Kong Science and Technology Parks Corporation and HKDC jointly develop the programmes and services at the InnoCentre, which include an incubation programme for design start-ups, renting of office space for design companies, professional education and training, design-related exhibitions, seminars and workshops, design-related resources such as a design library, and events and activities for networking among design professionals and user industries. CIT is now authorised to approve projects costing \$10 million or below. For projects costing more than \$10 million each, CIT will submit them to FC for individual approval. As at 31 March 2009, the DSI has an unspent balance of \$111,671,000. We propose to transfer the non-recurrent funding commitment for the DSI from ITC to CTB.

Film Development Fund

21. The FDF was first established in 1999 to support projects that are conducive to the long-term development of the local film industry. It is currently administered by the Film Services Office (FSO) of the TELA, with the Commissioner for Television and Entertainment Licensing (CTEL) serving as the controlling officer. A project vetting committee under the Film Development Council comprising members of the film industry and other professionals has been set up to assess applications and make recommendations to CTEL to approve the applications and disburse the funds, prescribe the terms and conditions of funding, and monitor the progress and results of the funded projects. CTEL is now authorised to approve projects costing \$10 million or below. For projects that merit funding support which cost more than \$10 million, CTEL would submit them to FC for individual approval.

22. FC approved to increase the commitment of the FDF from \$20 million to \$320 million in 2007 and expanded its scope to finance the production of small-to-medium budget films. The funding support also aims to encourage more commercial investment in small-to-medium film productions, create a larger mass of film activities and employment opportunities, and nurture new talent. As at 31 March 2009, the FDF has an unspent balance of \$262,694,000. We propose to transfer the non-recurrent funding commitment for the FDF from TELA to CTB.

Film Guarantee Fund

23. The FGF was established in 2003 with a commitment of \$50 million to provide guarantee to assist local film production companies to obtain loans from lending institutions for producing films and to stimulate the development of a film-financing infrastructure in Hong Kong. Same as the FDF, it is currently administered by the FSO of TELA, with CTCL serving as the controlling officer. The FGF provides loan guarantee to local participating lending institutions that offer loan facilities to film productions which have secured a film completion arrangement. It operates on a revolving basis, i.e., once discharged by the lending institutions, the guaranteed commitment will be ploughed back to the FGF for other successful applications. The maximum loan guarantee under the FGF for each application is \$2,625,000.

24. In 2005, following a review of the operation of the FGF, FC approved the continuation of the FGF with a reduced commitment of \$30 million, while the remaining \$20 million was deployed to the FDF. Up to 31 March 2009, the FGF has provided loan guarantee for 11 films, ten of which have already discharged their loans, and the FGF has an unspent balance of \$28,876,000. We propose to transfer the non-recurrent funding commitment for the FGF from TELA to CTB.

Hong Kong Design Centre

25. In May 2007, FC approved a new commitment of \$100 million under ITC to support the operation of the HKDC over five years to assist our trades and industries to make full use of design and build their brand names. As at 31 March 2009, the unspent balance of the commitment is \$64,092,000. We propose to transfer the non-recurrent funding commitment for HKDC from ITC to CTB.

26. Upon the proposed setting up of the CreateHK office and transfer of the non-recurrent commitments for DSI, FDF, FGF and HKDC to CTB, PSCT will become the controlling officer of these four funding initiatives. The existing administration, assessment, control and review mechanisms of these initiatives will remain unchanged. For DSI and FDF, PSCT will continue to seek FC's approval for individual project which costs more than \$10 million.

Encl. 4 27. Details of the proposed transfer of non-recurrent commitments are set out at Enclosure 4.

/FINANCIAL

FINANCIAL IMPLICATIONS

28. The proposed setting up of the CSI will require the creation of a non-recurrent commitment of \$300 million. While the actual expenditure of the CSI will depend on the volume of applications received and the disbursement schedule for successful applications, our preliminary forecast of the cashflow requirement over a period of three years from 2009-10 to 2011-12 is set out as follows –

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>Total</u>
	<u>\$million</u>	<u>\$million</u>	<u>\$million</u>	<u>\$million</u>
Nurturing creative human capital and facilitating start-up of creative establishments				
(a) Nurturing creative human capital	12.50	16.25	16.25	45.00
(b) Facilitating start-up of creative establishments	12.50	16.25	16.25	45.00
<i>Sub-total</i>	25.00	32.50	32.50	90.00
Expanding local market, exploring and developing Mainland and overseas market				
(c) Expanding the local market	10.00	12.50	12.50	35.00
(d) Exploring and developing the Mainland and overseas markets	20.00	25.00	25.00	70.00
<i>Sub-total</i>	30.00	37.50	37.50	105.00
Fostering creative atmosphere, developing creative clusters and promoting Hong Kong as Asia's creative capital				
(e) Fostering creative atmosphere	10.00	12.50	12.50	35.00
(f) Developing creative clusters	10.00	12.50	12.50	35.00
(g) Promoting Hong Kong as Asia's creative capital	10.00	12.50	12.50	35.00
<i>Sub-total</i>	30.00	37.50	37.50	105.00
Total	85.00	107.50	107.50	300.00

29. To implement the proposed redeployment of staff from OGCIO, ITC and TELA to CTB for establishing the CreateHK office as mentioned in paragraph 4(a) above, the 2009-10 provision for *Subhead 000 Operational expenses* of Head 55 will need to be increased by \$37,789,000 to cover salary and other recurrent costs associated with the redeployed staff, which will be entirely offset by corresponding reductions under Heads 47, 155 and 180.

30. Arising from the proposed transfer of a total of four non-recurrent commitments from ITC and TELA to CTB as mentioned in paragraphs 19 to 27 above, a total supplementary provision of \$85,659,000^{Note} will be required in 2009-10 under Head 55 *Subhead 700 General non-recurrent*, which would be entirely offset by corresponding reductions under Heads 155 and 180.

Encl. 5 31. The detailed supplementary provisions required by Head 55 and the offsetting decreases in the Estimates of the relevant Heads and Subheads are set out at Enclosure 5. Details of the 2009-10 provisions under the relevant Heads presented in Estimates format with supporting explanations are set out at the Annexes to Enclosure 5.

PUBLIC CONSULTATION

32. We consulted the Legislative Council Panel on Information Technology and Broadcasting on the proposals contained in this paper on 9 March 2009. Members generally supported the proposals.

BACKGROUND

33. In the 2007 Policy Address, the Chief Executive (CE) pledged that Hong Kong should accelerate the development of creative industries in the next five years in order to maintain our competitive edge. The CE further announced in the 2008 Policy Address the setting up of a dedicated office to provide better support and one-stop service for the creative industries through integration of existing resources. FS has announced in the 2009-10 Budget that the Government will earmark \$300 million to support the development of Hong Kong's creative industries in the coming three years.

 Commerce and Economic Development Bureau
 May 2009

^{Note} Taking into account the latest funding positions of the four non-recurrent commitments to be transferred to CTB, the total amount of supplementary provision for CTB has been adjusted from \$94,595,000 as indicated in the Panel paper ref. CB(1)955/08-09(05) to \$85,659,000.

Creative Economy Development

Vision

To build Hong Kong (HK) into a regional creative capital.

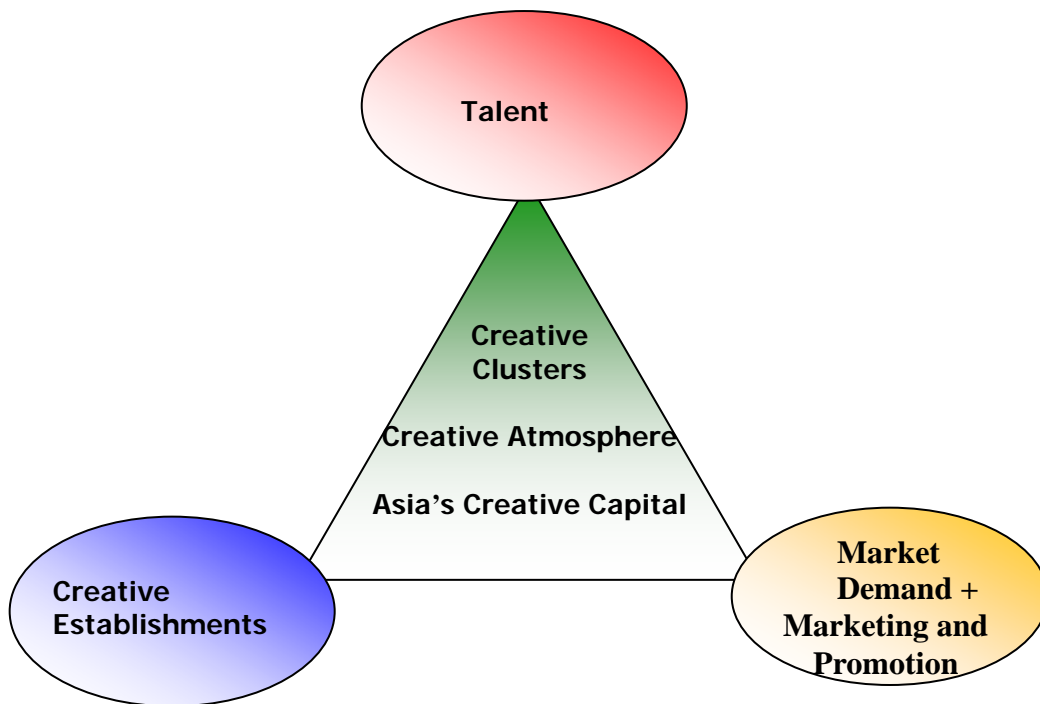
Mission

To foster a conducive environment in HK to facilitate creative industries development.

Strategic Direction: Seven strategic areas

- (a) nurturing a pool of creative human capital which will form the backbone of our creative economy;
- (b) facilitating start-ups and development of creative establishments;
- (c) generating demand for innovation and creativity and expanding local market size for creative industries;
- (d) promoting creative industries on the Mainland and overseas to help explore outside markets;
- (e) fostering a creative atmosphere within the community;
- (f) developing creative clusters in the territory to generate synergy and facilitate exchanges; and
- (g) promoting HK as Asia's creative capital.

/Talent



(a) Talent

- To train a large pool of creative talent as the essential fuel to propel the development of the creative economy
- To groom local creative talent as well as to attract talent from outside HK

(b) Creative Establishments

- Facilitate start-up of creative establishments
- To help local talent set up their own business amidst the high cost of operation in HK
- Provide financial incentives as well as business knowledge for them to become sustainable establishments

(c) Market Demand

- To sustain the survival and growth of our creative industry establishments by generating new demand for innovation and creativity and expanding local market size

/(d)

(d) Marketing and Promotion

- To promote local creative industries on the Mainland and overseas
- To generate sustainable and expandable demand for local creativity in Mainland and overseas markets

(e) Creative Atmosphere

- To facilitate the fostering and strengthening of a more creative environment within our community and create audience
- Conducive to the building of creative capacity and generate sustainable local demand

(f) Creative Clusters

- Some areas in HK are characterised by a particularly active presence of cultural and creative activities, e.g. Hollywood Road, “Soho” and Shek Kip Mei
- To build on existing strength and establish creative clusters to become the focal point of the creative economy

(g) Asia's Creative Capital

- To develop HK's position in creativity and innovation in the region
- To introduce major signature events
- To attract talent to come to HK for creative ideas and exchange or as a base for them to develop creative businesses and enrich HK's diversity in creativity
- Promoting HK as Asia's creative capital

/The

The Way Forward

Immediate:

- Refine development strategy taking into account views of the industries and the Legislative Council
- Set up the dedicated office: CreateHK

Mid-term:

- Develop and implement support measures
- Commission in-depth study for the long-term creative industries development

Long-term:

- Formulate long-term strategy based on the results of the commissioned study

**General Eligibility and Assessment Criteria
of the CreateSmart Initiative**

1. An applicant should normally be a locally registered institution/organisation engaged in creative industries or a related body. CreateHK and other government departments can also apply for the funding.
2. Project elements which are covered under the scope of the FDF, FGF and DSI and those which will receive or have received funding from other government sources are not eligible to apply for funding under the CSI.
3. Projects under application must be beneficial to the overall development of individual creative industry sectors or the entire creative industries.
4. Benefits accrued from the projects must serve the interests of individual creative industry sectors or the entire creative industries, and not just an individual private company or a consortium of private companies.
5. Projects should mainly be non-profit making by nature. Special consideration could be given for projects that can ultimately be self-financing.
6. In general, funds approved can only be used for non-recurrent expenditure. Under exceptional circumstances where the projects under application consist of a recurrent item (e.g. staff cost), the funds approved can only be of a one-off nature.
7. Funds approved cannot be used to create any civil service posts.
8. In examining an application, the following must be taken into consideration –
 - (a) the benefits that a project may bring to local creative industries, either to individual sectors or the industries as a whole;
 - (b) the need of such project;
 - (c) the technical and project management capabilities of the applicant institution/organisation;

/(d)

- (d) whether the implementation schedule of the proposed project is well planned and whether the time required for implementation is reasonable;
- (e) whether the proposed budget is reasonable and realistic;
- (f) whether the project has been funded or should be funded by other government sources;
- (g) whether there is/will be any duplication in terms of the work carried out by other institutions;
- (h) whether the project can be self-financing after a certain period of time; and
- (i) any other special factors which are relevant and contribute towards the objective of the CSI.

**General Modus Operandi
of the CreateSmart Initiative**

1. Applications will be open throughout the year. CreateHK may also from time to time issue theme-specific topics to solicit applications.
2. Successful applicants will be required to comply with the conditions of the grant. They will also be required to submit a final report with accounts certified by a qualified accountant (or audited accounts if necessary) after the project is completed. Depending on the nature and duration of the project, the applicants may be required to submit progress reports on a regular basis.
3. Only cost directly related to the project will be covered. Industrial/commercial sponsorship can be in kind or in cash.
4. A vetting committee comprising officials, professionals, industrialists, businessmen, academics and other relevant members of the public will be set up to assess the applications, monitor progress and review the quality of each funded project. If necessary, comments and advice will be sought from outside experts on specific applications. The Independent Commission Against Corruption's advice will be sought on the vetting procedures.
5. For transparency purpose, any individual project requiring more than \$10 million funding will be submitted to the Finance Committee for approval.
6. Projects should mainly be non-profit making by nature. Interest income derived from grants disbursed to successful project applicants will be kept by the applicants for use in the projects concerned during the project period. Any unused balance upon the completion of the project will be returned to the Government.
7. Funds for projects will be disbursed to successful applicants by installments, tying with appropriate milestones or any other conditions offered when the grant is approved. Final installment of the disbursement of the fund will only be released upon the completion of the project and that the Government is satisfied with the final report as mentioned in (2) above.

8. Successful applicants will be required to carry out the projects as approved. The Government will reserve the right, inter alia, to terminate funding, demand immediate return of all the disbursed funds with interest, and hold the successful applicants liable for any loss or damages the Government may sustain if the successful applicants are in breach of any of the terms and conditions of funding or undertakings made for the approved projects.

9. Any intellectual property rights derived from the project will be owned by the project applicant (or be co-owned by the project applicant and the sponsor and partner as agreed among themselves). If necessary (such as when public interests are involved or in order to fulfill the objective of providing support to the community and the industries/businesses), the project applicant will be required to grant unconditionally to Government a non-exclusive perpetual royalty-free licence to exploit or dispose of the relevant intellectual property rights.

General Recurrent Account for the 2009-10 Estimates

Transfer of Non-Recurrent Commitments to the Communications and Technology Branch from 1 June 2009

Head	Subhead	Item	Description of commitment	Old Head from which the commitment is transferred
55 – Government Secretariat: Commerce and Economic Development Bureau (Communications and Technology Branch)	700 General non-recurrent	438	DesignSmart Initiative	155 – Government Secretariat: Innovation and Technology Commission
	700 General non-recurrent	897	Hong Kong Design Centre	155 – Government Secretariat: Innovation and Technology Commission
	700 General non-recurrent	016	Film Guarantee Fund	180 – Television and Entertainment Licensing Authority
	700 General non-recurrent	480	Film Development Fund	180 – Television and Entertainment Licensing Authority

General Recurrent Account for the 2009-10 Estimates

(a) Creation of New Subhead and Increase in Estimates

Head	New Subhead from 1 June 2009	Estimates (\$'000)		Supplementary Provisions Sought		Details of the Head from 1 June 2009
		Prior to 1 June 2009	From 1 June 2009	Subhead	\$'000	
55 – Government Secretariat: Commerce and Economic Development Bureau (Communications and Technology Branch)	700 General non-recurrent	66,300	189,748	000 Operational expenses	37,789	Annex A
				700 General non-recurrent	85,659	
Total Supplementary Provision Sought					123,448	

/(b)

(b) Decrease in Estimates

Head	Estimates (\$'000)		Decrease in Estimates		Details of the Head from 1 June 2009
	Prior to 1 June 2009	From 1 June 2009	Subhead	\$'000	
47 – Government Secretariat: Office of the Government Chief Information Officer	655,842	653,063	000 Operational expenses	2,779	Annex B
			Sub-total	2,779	
155 – Government Secretariat: Innovation and Technology Commission	518,516	481,316	000 Operational expenses	3,136	Annex C
			700 General non-recurrent	34,064	
			Sub-total	37,200	
180 – Television and Entertainment Licensing Authority	191,132	107,663	000 Operational expenses	31,874	Annex D
			700 General non-recurrent	51,595	
			Sub-total	83,469	
Total Decrease in Estimates Offsetting Supplementary Provisions Sought in Part (a)				123,448	

**Head 55 — GOVERNMENT SECRETARIAT: COMMERCE AND ECONOMIC
DEVELOPMENT BUREAU (COMMUNICATIONS AND TECHNOLOGY BRANCH)**

Sub- head (Code)	Estimate 2009-10
	<u>\$'000</u>
Operating Account	
Recurrent	
000 Operational expenses	104,089
Total, Recurrent.....	<u>104,089</u>
Non-Recurrent	
700 General non-recurrent.....	85,659
Total, Non-Recurrent.....	<u>85,659</u>
Total, Operating Account	189,748
<hr/>	
Total Expenditure	<u><u>189,748</u></u>

Head 55 — GOVERNMENT SECRETARIAT: COMMERCE AND ECONOMIC DEVELOPMENT BUREAU (COMMUNICATIONS AND TECHNOLOGY BRANCH)

Details of Expenditure by Subhead

The estimate of the amount required in 2009–10 for the salaries and expenses of the Communications and Technology Branch is \$189,748,000.

Operating Account

Recurrent

2 Provision of \$104,089,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Communications and Technology Branch.

3 The establishment as at 1 June 2009 will be 91 permanent posts. No change in establishment is expected in the remainder of 2009–10. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during the remainder of 2009–10, but the notional annual mid-point salary value of all such posts must not exceed \$34,946,000.

4 An analysis of the financial provision under *Subhead 000 Operational expenses* is as follows:

	2009–10 (Estimate) (\$'000)
Personal Emoluments	
- Salaries	41,452
- Allowances	1,975
- Job-related allowances	4
Personnel Related Expenses	
- Mandatory Provident Fund contribution	90
- Civil Service Provident Fund contribution	306
Departmental Expenses	
- General departmental expenses	60,262
	104,089

Head 55 — GOVERNMENT SECRETARIAT: COMMERCE AND ECONOMIC DEVELOPMENT BUREAU (COMMUNICATIONS AND TECHNOLOGY BRANCH)

Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2009	Estimated expenditure 1.4.2009 to 31.5.2009	Balance
			\$'000	\$'000	\$'000	\$'000
<i>Operating Account</i>						
700		<i>General non-recurrent</i>				
	016	Film Guarantee Fund	30,000	1,124	–	28,876
	438	DesignSmart Initiative	250,000	138,329	20,482	91,189
	480	Film Development Fund	320,000	57,306	4,030	258,664
	897	Hong Kong Design Centre	100,000	35,908	3,924	60,168
	#	CreateSmart Initiative	300,000	–	–	300,000
		Total	1,000,000	232,667	28,436	738,897

New item to be created.

**Head 47 — GOVERNMENT SECRETARIAT: OFFICE OF
THE GOVERNMENT CHIEF INFORMATION OFFICER**

Sub-head (Code)	Estimate 2009-10
	—
	\$'000
Operating Account	
Recurrent	
000 Operational expenses	653,063
	—
Total, Recurrent	653,063
	—
Total, Operating Account	653,063
<hr/>	
	—
Total Expenditure	653,063

**Head 47 — GOVERNMENT SECRETARIAT: OFFICE OF THE
GOVERNMENT CHIEF INFORMATION OFFICER**

Details of Expenditure by Subhead

The estimate of the amount required in 2009–10 for the salaries and expenses of the Office of the Government Chief Information Officer is \$653,063,000.

Operating Account

Recurrent

2 Provision of \$653,063,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Office of the Government Chief Information Officer.

3 The establishment as at 1 June 2009 will be 640 permanent posts. It is expected that there will be an increase of one permanent post in the remainder of 2009–10. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during the remainder of 2009–10, but the notional annual mid-point salary value of all such posts must not exceed \$275,989,000.

4 An analysis of the financial provision under *Subhead 000 Operational expenses* is as follows:

	2009–10 (Estimate) (\$'000)
Personal Emoluments	
- Salaries	312,221
- Allowances	4,350
- Job-related allowances	150
Personnel Related Expenses	
- Mandatory Provident Fund contribution	60
- Civil Service Provident Fund contribution	150
Departmental Expenses	
- Hire of services and professional fees	225,040
- Data processing	41,872
- General departmental expenses	24,800
Other Charges	
- Electronic Service Delivery scheme	920
- New Strategy for E-government Service Delivery	43,500
	<hr/>
	653,063 <hr/>

**Head 155 — GOVERNMENT SECRETARIAT:
INNOVATION AND TECHNOLOGY COMMISSION**

Sub-head (Code)	Estimate 2009–10
	—
	\$'000
Operating Account	
Recurrent	
000	Operational expenses 436,466
	—
	Total, Recurrent 436,466
	—
Non-Recurrent	
700	General non-recurrent 42,465
	—
	Total, Non-Recurrent 42,465
	—
	Total, Operating Account 478,931
Capital Account	
Plant, Equipment and Works	
661	Minor plant, vehicles and equipment (block vote) 2,385
	—
	Total, Plant, Equipment and Works 2,385
	—
	Total, Capital Account 2,385
	—
	Total Expenditure 481,316

**Head 155 — GOVERNMENT SECRETARIAT:
INNOVATION AND TECHNOLOGY COMMISSION**

Details of Expenditure by Subhead

The estimate of the amount required in 2009–10 for the salaries and expenses of the Innovation and Technology Commission is \$481,316,000.

Operating Account

Recurrent

2 Provision of \$436,466,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Innovation and Technology Commission.

3 The establishment as at 1 June 2009 will be 164 permanent posts. It is expected that one permanent post will be created in the remainder of 2009–10. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during the remainder of 2009–10, but the notional annual mid-point salary value of all such posts must not exceed \$68,170,000.

4 An analysis of the financial provision under *Subhead 000 Operational expenses* is as follows:

	2009–10 (Estimate) (\$'000)
Personal Emoluments	
- Salaries	90,894
- Allowances	1,220
- Job-related allowances	2
Personnel Related Expenses	
- Mandatory Provident Fund contribution	74
- Civil Service Provident Fund contribution	52
Departmental Expenses	
- General departmental expenses	49,056
Subventions	
- Hong Kong Productivity Council	172,062
- Hong Kong Applied Science and Technology Research Institute Company Limited	123,106
	<hr/> 436,466 <hr/>

**Head 155 — GOVERNMENT SECRETARIAT:
INNOVATION AND TECHNOLOGY COMMISSION**

Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2009	Estimated expenditure 1.4.2009 to 31.5.2009	Balance
			\$'000	\$'000	\$'000	\$'000
<i>Operating Account</i>						
700	<i>General non-recurrent</i>					
002	Consultancy studies on Hong Kong Mainland technological collaboration		5,000	120	–	4,880
003	Consultancy study on biotechnology industry in Hong Kong		1,300	234	–	1,066
006	Impact studies on Innovation and Technology Fund projects.....		5,000	1,290	809	2,901
047	Hong Kong Productivity Council: Repayment of loan to the Loan Fund		548,690	442,633	803	105,254
438*	DesignSmart Initiative.....		250,000	138,329	20,482	91,189
897*	Hong Kong Design Centre		100,000	35,908	3,924	60,168
	Total		<u>909,990</u>	<u>618,514</u>	<u>26,018</u>	<u>265,458</u>

* To be transferred to Head 55 — Government Secretariat: Commerce and Economic Development Bureau (Communications and Technology Branch) with effect from 1 June 2009.

Head 180 — TELEVISION AND ENTERTAINMENT LICENSING AUTHORITY

Sub- head (Code)	Estimate 2009-10
	—
	\$'000
Operating Account	
Recurrent	
000	Operational expenses
	103,298
	—
	103,298
	—
Non-Recurrent	
700	General non-recurrent
	4,365
	—
	4,365
	—
	107,663
Total Expenditure	
	107,663

Head 180 — TELEVISION AND ENTERTAINMENT LICENSING AUTHORITY

Details of Expenditure by Subhead

The estimate of the amount required in 2009–10 for the salaries and expenses of the Television and Entertainment Licensing Authority is \$107,663,000.

Operating Account

Recurrent

2 Provision of \$103,298,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Television and Entertainment Licensing Authority.

3 The establishment as at 1 June 2009 will be 124 permanent posts. It is expected that one permanent post will be created in the remainder of 2009–10. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during the remainder of 2009–10, but the notional annual mid-point salary value of all such posts must not exceed \$43,865,000.

4 An analysis of the financial provision under *Subhead 000 Operational expenses* is as follows:

	2009–10 (Estimate) (\$'000)
Personal Emoluments	
- Salaries	56,399
- Allowances	344
Personnel Related Expenses	
- Mandatory Provident Fund contribution	124
Departmental Expenses	
- General departmental expenses	46,431
	<hr/> 103,298 <hr/>

Head 180 — TELEVISION AND ENTERTAINMENT LICENSING AUTHORITY

Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2009	Estimated expenditure 1.4.2009 to 31.5.2009	Balance
			\$'000	\$'000	\$'000	\$'000
<i>Operating Account</i>						
700	<i>General non-recurrent</i>					
	015	Competition Consultancy Service	3,500	3,148	-	352
	016*	Film Guarantee Fund	30,000	1,124	-	28,876
	017	Staff Training of Competition Provision	839	704	-	135
	480*	Film Development Fund	320,000	57,306	4,030	258,664
		Total	<u>354,339</u>	<u>62,282</u>	<u>4,030</u>	<u>288,027</u>

* To be transferred to Head 55 — Government Secretariat: Commerce and Economic Development Bureau (Communications and Technology Branch) with effect from 1 June 2009.