

立法會
Legislative Council

LC Paper No. CB(1)3087/10-11
(These minutes have been seen
by the Administration)

Ref : CB1/PL/ITB/1

Panel on Information Technology and Broadcasting

Minutes of meeting
held on Monday, 11 July 2011, at 2:30 pm
in Conference Room A of the Legislative Council Building

- Members present** : Hon WONG Yuk-man (Chairman)
Dr Hon Samson TAM Wai-ho, JP (Deputy Chairman)
Hon CHAN Kam-lam, SBS, JP
Hon Emily LAU Wai-hing, JP
Hon LEE Wing-tat
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon WONG Ting-kwong, BBS, JP
Hon Ronny TONG Ka-wah, SC
Hon Cyd HO Sau-lan
Hon IP Kwok-him, GBS, JP
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
- Members absent** : Hon LAU Kong-wah, JP
Hon Timothy FOK Tsun-ting, GBS, JP
- Public officers attending** : Agenda item III
Mr Gregory SO, JP
Secretary for Commerce and Economic
Development

Miss Elizabeth TSE, JP
Permanent Secretary for Commerce and Economic
Development (Communications and Technology)

Mr Stephen MAK, BBS, JP
Government Chief Information Officer

Miss Joey LAM, JP
Deputy Government Chief Information Officer
(Policy and Customer Service)

Ms Joyce MOK
Assistant Government Chief Information Officer
(Digital Economy Facilitation)

Mr Andrew LAI, JP
Deputy Commissioner for Innovation and
Technology

Agenda Item IV

Miss Elizabeth TSE, JP
Permanent Secretary for Commerce and Economic
Development (Communications and Technology)

Mr Aaron LIU
Principal Assistant Secretary for Commerce and
Economic Development (Communications and
Technology)A

Mr Vincent LIU, JP
Commissioner for Television and Entertainment
Licensing

Agenda Item V

Miss Elizabeth TSE, JP
Permanent Secretary for Commerce and Economic
Development (Communications and Technology)

Mr Aaron LIU
Principal Assistant Secretary for Commerce and
Economic Development (Communications and
Technology)A

Mr T F SO
Assistant Director (Operations)
Office of the Telecommunications Authority

Attendance by invitation : Agenda Item IV

Broadcasting Authority

Mr Adrian WONG Koon Man, MH, JP
Member

Clerk in attendance : Ms YUE Tin-po
Chief Council Secretary (1)3

Staff in attendance : Mr Joey LO
Senior Council Secretary (1)3

Ms May LEUNG
Legislative Assistant (1)3

Action

I. Confirmation of minutes of meetings

(LC Paper No. CB(1)2533/10-11 -- Minutes of meeting held on
11 April 2011

LC Paper No. CB(1)2657/10-11 -- Verbatim record of special
meeting on 16 June 2011

LC Paper No. CB(1)2646/10-11(01) -- List of outstanding items
for discussion

LC Paper No. CB(1)2646/10-11(02) -- List of follow-up actions)

The minutes of the meetings held on 11 April and 16 June 2011 were confirmed.

II. Information paper issued since the last meeting

2. Members noted that no paper had been issued since the last meeting held on 13 June 2011.

3. The Panel noted Mr Ronny TONG's letter to the Chairman requesting that a special meeting be held as soon as possible to discuss the regulatory framework governing editorial independence of news departments of the domestic free television licensees in the light of the misreporting on 6 July 2011 by the Asia Television Limited (ATV) of the death of the former Chinese President Mr JIANG Zemin. In this connection, Mr Ronny TONG expressed concern whether there was any undue influence from Mr WONG Ching, the investor of ATV, on news reporting of the incident. Members considered that the matter be discussed at a later stage after the Broadcasting Authority (BA) had concluded its investigation into the relevant complaints.

(Post-meeting note: At the instruction of the Chairman, a special meeting was held on 19 September 2011 to discuss the item "issues relating to editorial independence of the News Department of Asia Television Limited".)

III. Facilitating a digital economy under the Digital 21 Strategy

(LC Paper No. CB(1)2646/10-11(03) -- Administration's paper on facilitating a digital economy

LC Paper No. CB(1)2646/10-11(04) -- Paper on facilitating a digital economy under the Digital 21 Strategy prepared by the Legislative Council Secretariat (updated background brief))

Presentation by the Administration

4. At the invitation of the Chairman, the Secretary for Commerce and Economic Development (SCED) briefed members on the progress of initiatives made in facilitating a digital economy under the Digital 21 Strategy. Details of the briefing were set out in the Administration's paper (LC Paper No. CB(1)2646/10-11(03)).

Discussion

Hong Kong's competitiveness in information and communications technology

5. The Chairman expressed concern that in the Chinese Academy of Social Sciences (CASS) Study in 2011, Hong Kong ranked only the 37th in the Information Technology Infrastructure Index under Infrastructure Facilities Competitiveness, and a mere 26th place in Science and Technology Competitiveness. He enquired about the reasons for the apparent discrepancies between the findings of the CASS Study and those of the Boston Consulting Group (the BCG Report), which had reaffirmed Hong Kong's position as a leading digital city in the world, and measures to be taken by the Administration to enhance Hong Kong's competitiveness in science and technology.

6. SCED advised that the two reports had different scopes and research methodologies. The BCG Report focused on the Internet economy of Hong Kong, whereas the CASS Study focused on overall competitiveness of Chinese cities. The CASS's findings could not be directly compared with those of the BCG Report. In fact, in terms of mobile and Internet penetration rates, Hong Kong ranked amongst the highest in the world. The Administration would endeavour to provide more information on Hong Kong's information and communications technology (ICT) developments to CASS in order to facilitate its studies in future.

7. Noting the success of the film industry in tapping the Mainland market under the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA), Dr Samson TAM urged the Administration to provide assistance to the small and medium enterprises (SMEs) of the ICT sector, in particular the Internet content providers, to develop the Mainland market and benefit from the closer economic integration with the Mainland under CEPA.

8. SCED advised that various segments of telecommunications services had been liberalized under CEPA to allow Hong Kong service suppliers to set up joint venture enterprises with shareholding not exceeding 50% in the Mainland and to provide various types of value-added telecommunications services. The types of value-added services included Internet data centre services, store and forward services, call centre services, Internet access services, content services and Internet Protocol (IP) based virtual private network services.

ICT manpower development

9. Ms Emily LAU noted that the CASS Study had identified certain weaknesses in Hong Kong's human capital compared to other Chinese cities, namely the lower rate of enrolment in universities of secondary school graduates, and the lower academic qualifications of the working population. She enquired about the measures to be taken by the Administration to enhance Hong Kong's competitiveness in terms of human resources.

10. SCED advised that the Administration would foster an environment in which a well-qualified IT workforce could flourish and meet the needs of the society. In this regard, the Cyberport had implemented the IT Internship Co-ordination & Facilitation Programme and the IT Exchange Programme. GCIO added that the Administration had been working with the industry and academia to enhance the portfolio of ICT professional qualifications. With the support of the Education Bureau, the ICT Industry Training Advisory Committee had recently completed the industry consultation on the draft version of the second set of Specification of Competency Standards under the Qualifications Framework. As a result of the concerted effort of different parties and stakeholders, the local ICT workforce had increased from around 67 000 in 2008 to over 73 000 in 2010. To support the development of ICT talent in the longer term, the Government would continue to facilitate the development of the Qualifications Framework and encourage worthwhile initiatives of the industry.

Promoting the adoption of ICT among SMEs

11. Noting SMEs' significance in Hong Kong's economy, Ms Emily LAU urged the Administration to promote the adoption of ICT among SMEs. Sharing a similar view, Mr WONG Ting-kwong suggested providing financial support to encourage the adoption of ICT by SMEs.

12. SCED advised that the Government and the ICT industry had been joining hands to facilitate the wider adoption of ICT among SMEs. For example, The Office of the Government Chief Information Officer (OGCIO) supported 20 projects for 14 business sectors between 2004 and 2010 under its Sector-specific Programme (SSP) and IT Training Programme for SMEs. Over 14 000 practitioners from SMEs had benefitted from these projects. Meanwhile, the Administration would launch a new round of SSP in August 2011 for promoting the adoption of ICT in three sectors, namely wholesale/retail, business services and import/export, as identified by the "Study on ICT Adoption in Hong Kong SMEs", commissioned by OGCIO in October 2009. Deputy Government Chief Information Officer (Policy and Customer Service) added that OGCIO would allocate \$4 million in 2011 for

this initiative.

Data centre development

13. Noting the development of data centres in Qianhai of Shenzhen and Foshan, Mr CHAN Kam-lam urged the Administration to encourage the setting up of such data centres in Hong Kong in the face of keen competition from the neighbouring cities.

14. SCED advised that Hong Kong was well recognized by the IT industry and business organizations as an excellent location for high-tier data centres. Hong Kong's strengths included its robust data protection regime, proximity to the Mainland market, international outlook, conducive business environment, transparent and independent legal system, reliable power supply, sound communications system, internet connectivity and low risk of natural disasters. Such competitive advantages of Hong Kong were hardly replaceable. According to the study commissioned by OGCIO in May 2010, strong growth in the demand for data centres in Hong Kong over the next few years was envisaged.

15. Ms Emily LAU was concerned about the high land price and rental which would affect the development of the ICT industry of Hong Kong in the long run. In this connection, Mr Andrew LEUNG declared that he was a director of a company engaging in the development of data centres. He shared a similar concern and urged the Administration to strive for the provision of more suitable land for the development of data centres.

16. SCED advised that in the past year, about eight hectares of land in the Tseung Kwan O Industrial Estate were granted by the Hong Kong Science and Technology Parks Corporation for such purpose. Meanwhile, the Administration would promote the use of industrial buildings for developing data centres with mid-tier requirements. The Administration would continue to implement facilitation measures for the ICT sector, including the identification of suitable land for the setting up of data centres.

Other issues

17. Mr WONG Ting-kwong considered that competitiveness in Hong Kong's ICT sector also relied on the provision of an effective regulatory regime which offered sufficient protection for the consumers. In this regard, he urged the Administration to formulate more effective regulatory measures to safeguard consumers against "bill shocks".

18. SCED advised that the emergence and increasing popularity of smart phones and advance mobile devices had boosted the demand for mobile data services. In tandem, the upsurge in the number of bill shock complaints related to mobile services had become a problem in Hong Kong. In 2010, a total of 789 complaints about mobile data services bill disputes was received by the Office of the Telecommunications Authority (OFTA). Concerned with the increasing number of complaints relating to mobile bill shock, about 90% of which caused by unintentional or inadvertent use of mobile data services, OFTA wrote in May 2010 to urge all mobile operators to adopt various measures to address the problem. These measures included allowing customers to opt-out from individual services, setting a charge ceiling, setting a usage cap for all kinds of usage-based mobile services, and alerting customers through short messages if their pre-determined usage threshold was reached. As a result, the average complaint figure per month for the first half of 2011 had dropped by 29% to 47 cases per month from an average of 66 cases per month for last year. The Administration would step up the consumer education effort by launching publicity campaigns on mobile data services.

IV. Result of sound broadcasting licences mid-term review

(File Ref: CTB(CR)9/2/23(09) -- Administration's paper on mid-term review of the sound broadcasting licences of Hong Kong Commercial Broadcasting Company Limited and Metro Broadcast Corporation Limited (Legislative Council Brief)

LC Paper No. CB(1)2646/10-11(05) -- Paper on mid-term review of sound broadcasting licences prepared by the Legislative Council Secretariat (updated background brief)

Presentation by the Administration

19. At the invitation of the Chairman, Permanent Secretary for Commerce and Economic Development (Communications and Technology) (PSCED(CT)) briefed members on the result of the sound broadcasting licences mid-term review. Mr Adrian WONG, member of the Broadcasting

Authority, then briefed the Panel on the assessment and recommendations of the Broadcasting Authority (BA) in relation to the mid-term review. Details of the briefings were set out in the Administration's paper (File Ref: CTB(CR)9/2/23(09)).

Discussion

Investment commitments

20. Mr LEE Wing-tat noted that although Hong Kong Commercial Broadcasting Company Limited (CRHK)'s projected actual expenditure for 2004 to 2010 was 26% less than the original investment commitment, the BA had only issued a warning to CRHK instead of imposing any financial penalties for the breach. He was concerned about the lack of deterrent effect of the sanction. Sharing a similar concern, the Chairman opined that the BA was duty-bound to ensure that the investment commitments of the licensees had been strictly adhered to. If the actual annual investment expenditure deviated from the investment commitment significantly, the BA should request the licensees to provide explanation and, if appropriate, make up for the shortfall. In this regard, Ms Emily LAU expressed grave concern that the absence of financial penalty would send a very bad message to the licencees and encourage them to renege on their investment commitments again in future.

21. Mr Adrian WONG advised that the warning issued to CRHK was based on the grounds that the BA was concerned that as a licensee, CRHK should have sought the BA's prior exemption much earlier about the shortfall of investment. The BA considered CRHK's oversight a serious lapse by its management and therefore appropriate to issue a warning to CRHK, given the fact that the quality of its programmes had not been compromised as reflected in the opinion surveys conducted by the BA during the reporting period. Moreover, the BA acknowledged the need for CRHK to adjust its investment plans amidst the economic downturns during the period.

22. Commissioner for Television and Entertainment Licensing (CTEL) supplemented that in explaining about the shortfall, CRHK had provided a number of factors which the BA found justifiable, notably the charging of the expenditure on development of website and multi-media applications (which made up about one-third of the shortfall in investment) to the accounts of Commercial Radio Interactive (an affiliate of CRHK established to carry out such development work) instead of CRHK's own accounts, savings from not signing exclusive contracts with a number of popular programme hosts (which made up about another one-third of the shortfall), reduction of overall spending by advertisers on sponsored events, and expenditure cuts amidst the

economic downturns during the reporting period. The BA was not unsympathetic to the need for CRHK to adjust its investment plans during the reporting period. In relation to Ms Emily LAU's enquiry, CTEL advised that despite the reduction in expenditure, CRHK remained focused on getting more from less and it had consistently been rated the most listened-to radio station during the period.

23. PSCED(CT) supplemented that in view of CRHK's failure to meet its investment commitment for the past six years, the BA considered it necessary to tighten the monitoring of the licensees' compliance. In this connection, a new Condition 32.3 had been imposed in the licences to require the licensees to provide a management report certifying the actual annual investment expenditure within three months from the anniversary date of their licences. In response to Dr Samson TAM's enquiry, PSCED(CT) advised that Metro Broadcast Corporation Limited had confirmed that the investment commitment for the period 2010 to 2016 for its analogue sound broadcasting service would not overlap with its commitment made under its licence for the provision of digital audio broadcasting service. The Administration, the BA and the future Communications Authority would be monitoring the situation closely to prevent repeated deviation from the investment commitments by the licensees in future. PSCED(CT) further clarified that the provision of Internet radio service was outside the scope of the sound broadcasting licences.

V. Digital terrestrial television – analogue switch-off

(File Ref: CTB(CR)9/1/9(11) -- Administration's paper on digital terrestrial television – analogue switch-off (Legislative Council Brief)

LC Paper No. CB(1)2646/10-11(06) -- Paper on the progress of the implementation of digital terrestrial television broadcasting in Hong Kong prepared by the Legislative Council Secretariat (updated background brief))

Presentation by the Administration

24. At the invitation of the Chairman, PSCED(CT) briefed members on the deferral of the target date for the analogue switch-off (ASO). Details of

the briefing were set out in the Administration's paper (File Ref: CTB(CR)9/1/9(11)).

Discussion

New target for analogue switch-off

25. Mr CHAN Kam-lam expressed concern that the new target date for ASO in end 2015 might have to be further postponed if there was no improvement on the digital terrestrial television (DTT) coverage. He considered that the two domestic free television programme licensees should invest more so as to enlarge the DTT network during the deferral period from end 2012 to end 2015. He also considered that more quality programmes should be broadcast in the DTT channels so as to encourage the audience to switch to DTT.

26. PSCED(CT) advised that the DTT network was currently made up of 20 transmitting stations and nine more would be built by end 2011 to further extend the network coverage. Based on prudent commercial considerations, the television licencees had already seen the need to broadcast quality programmes on their DTT channels to enhance the penetration rate and acted accordingly. She added that the Office of the Telecommunications Authority (OFTA) had been coordinating with the Mainland authorities, including the State Administration of Radio, Film and Television and the Ministry of Industry and Information Technology, on the use of spectrum in accordance with the established frequency co-ordination mechanism. Compared with countries like the United States which relied more on cable and satellite TV for the delivery of free TV services, Hong Kong faced bigger difficulties in implementing the AOS as it relied more on terrestrial airwaves.

27. Dr Samson TAM declared that his company had been engaging in the research and development of set-top boxes. Noting that the DTT penetration rate only stood at about 63%, he supported the deferral of the ASO target date to end 2015. He opined that the penetration rate might be misleading as many households owned the receivers to watch DTT services on top of the traditional analogue TV sets. To be more accurate, the number of households which owned the receivers to watch DTT services in addition to the analogue TV sets should also be included in the assessment of the penetration rate. This would help the Administration set a more reasonable ASO target date which would not entail the premature and full scale redundancy of the analogue TV sets.

28. Principal Assistant Secretary for Commerce and Economic Development (Communications and Technology)A advised that statistics on the number of households which owned the receivers to watch DTT services in addition to the analogue TV sets were not kept by the Administration. Premature replacement of the analogue TV sets on a large scale as a result of the ASO was not envisaged as the prices of set-top boxes which enabled the watching of DTT service on analogue TV sets had gone down to very affordable levels.

VI. Any other business

29. There being no other business, the meeting ended at 4:15 pm.

Council Business Division 1
Legislative Council Secretariat
7 October 2011