

**For discussion
on 14 November 2011**

**Legislative Council Panel on
Information Technology and Broadcasting**

**Provision of Funding to Enhance Support to the
Hong Kong Design Centre (HKDC) cum
Progress Report of HKDC's Work**

PURPOSE

We seek Members' support to provide \$107.5 million to the Hong Kong Design Centre (HKDC) with a view to further driving the development of the local design sector. We also take this opportunity to give Members an update on the work and activities of HKDC between April 2011 and October 2011¹.

PROPOSAL

2. We propose to allocate a time-limited funding capped at \$107.5 million to support HKDC's basic operation from 1 July 2012 to 30 June 2015 and to enable it to organise two anchor events, namely Business of Design Week (BODW) and the HKDC Awards for three years starting 2012.

CONSIDERATIONS

3. HKDC was established in 2001 by five founding members² as a

¹ The Administration undertook to report on a regular basis to the Legislative Council the progress of the work of HKDC and the relevant initiatives taken to promote design and innovation. HKDC submitted its reports to the Legislative Council Panel on Commerce and Industry in April 2008 and May 2009 and this Panel in May 2010 and April 2011. This report seeks to update Members on the work and activities carried out by HKDC from April 2011 to October 2011.

² The founding members of HKDC are the Hong Kong Federation of Design Associations, Hong Kong Designers Association, Hong Kong Interior Design Association, Hong Kong Fashion Designers Association,

non-profit making organisation to promote design in Hong Kong. It has been Government's main partner in promoting the development of the local design sector and in nurturing design talent.

4. In 2001, the Government provided a one-off funding of \$10 million as seed money to HKDC to support its initial operation. The Finance Committee of the Legislative Council subsequently approved in June 2004³ and May 2007⁴ an additional \$29 million and \$100 million respectively to support the operation of HKDC till 30 June 2012. HKDC currently has a core staff of 33, and project and temporary staff of 14. It is governed by a Board of 20 directors.

5. The government funding support for HKDC will lapse in June 2012. There is a need to provide additional funding to HKDC to support its basic operation. The Chief Executive has announced in the 2011-12 Policy Address that the Government would allocate more resources to enhance support for HKDC.

6. Design sector is one of the fastest-growing⁵ sectors of cultural and creative industries, which the Government has identified as one of the six industries with high growth potential in Hong Kong. The Central People's Government has set out in the National 12th Five-Year Plan its policy to promote creative industries in Hong Kong. We also need to sustain our efforts to further promote Hong Kong's design services amidst the keen competition posed by our regional competitors such as Taiwan, Korea and Singapore.

7. HKDC has been the main partner of the Government in promoting design in Hong Kong by holding a variety of programmes which comprise design-related seminars, exhibitions, conferences, workshops, forums, publications, awards and others. An update on the work of HKDC since the last report to this Panel on 11 April 2011 is in **Annex 1**. HKDC

and the Chartered Society of Designers.

³ In June 2004, the Finance Committee of the Legislative Council approved vide FCR(2004-05)16 a commitment of \$250 million for the setting up of the DesignSmart Initiative under which \$45 million was set aside for supporting the operation of HKDC. \$29 million had been disbursed to HKDC by end June 2007.

⁴ In May 2007, the Finance Committee of the Legislative Council approved vide FCR(2007-08)14 a commitment of \$100 million over five years for supporting the operation of HKDC.

⁵ The value added of the sector has more than doubled from around \$1 billion in 2005 to about \$2.3 billion in 2009.

has over the years made significant achievements in raising Hong Kong's profile as Asia's design hub, providing support for designers, injecting design in business and public sectors, enhancing community-wide appreciation of design, celebrating design excellence, and promoting networking with places outside Hong Kong. Among the multi-faceted programmes HKDC organised, BODW⁶ and HKDC Awards⁷ have become the signature events of HKDC's annual calendar.

8. Given its established network, experience and programme of activities, HKDC will continue to play a significant role and remains the Government's main partner in promoting design. For example, HKDC will be taking the lead in organising and promoting the "Hong Kong Design Year"⁸ which the Chief Executive announced in the 2011-12 Policy Address. HKDC as a collaborating party will also participate in the revitalisation project to turn the Former Hollywood Road Police Married Quarters into an iconic centre for creative industries development.

9. As in the past, the Government will continue to require HKDC to strive to achieve a self-financing status, enhance its income generating capacity and seek contributions and support from the trade. We have invited HKDC to consider longer term options for it to enhance financial sustainability. As we expect this study to be completed in the not-too-distant future, we have applied a three-year (rather than five-year) horizon in determining the more immediate funding requirements for HKDC.

Operating expenditure

10. To meet the operating expenses of HKDC for the coming three years, we intend to set aside \$70 million for HKDC. This amounts to \$23.3 million per annum on average, compared with the actual annual average expenditure of \$21.3 million for the past five years. The sources of

⁶ BODW as HKDC's flagship event comprises conferences, exhibitions, forums, outreaching programmes, etc. Each year, BODW draws design masters and elites to Hong Kong annually for exchange and collaboration. In 2010, BODW and its concurrent programme attracted 95 000 participants.

⁷ HKDC Awards honours design excellence and outstanding achievements in the design field for practising designers, business leaders, design enterprises and students in and outside Hong Kong. The award programmes have grown in depth and breadth, and is now highly esteemed locally and overseas.

⁸ Core programmes of the Hong Kong Design Year will include mega events on design, such as an exhibition showcasing the life achievements of Mr KAN Tai-keung, a world-renowned local designer; international design forums; regional exchange symposia and exhibitions; and the annual highlight for the design sector: BODW.

funding to finance the total expenditure of HKDC in respect of the current funding period from July 2007 to June 2012 and the proposed new funding period from July 2012 to June 2015 are set out at **Annex 2**.

Project funding

11. The BODW and HKDC Awards have mainly been supported by government “project funding” through the DesignSmart Initiative or CreateSmart Initiative (as distinguished from and on top of funding for HKDC’s operating expenditure) since inception in 2002 and 2003 respectively. Both events have become the signature events on the calendar of Hong Kong’s design sector and attained worldwide prestige. Given established reputation, it is highly unlikely that HKDC would cease to organise these events. To facilitate project planning, negotiations with other participating economies, and retention of needed expertise and project staff, HKDC has proposed and the Government has agreed to earmark funding for these two events for a three-year period. A provision capped at \$37.5 million will be set aside for the two events for three years. HKDC will not have to compete for funding with other projects seeking help from the CreateSmart Initiative. However, the actual drawdown of the project funding will still be subject to HKDC drawing up a reasonable budget for the events every year for the approval of the Controlling Officer (i.e. Permanent Secretary for Commerce and Economic Development (Communications and Technology)), and the usual funding discipline expected of government-funding projects, etc.

12. The total funding we propose to allocate to HKDC till 2015 is \$107.5 million, indicatively broken down as follows –

	July 2012 – June 2013	July 2013 – June 2014	July 2014 – June 2015
Operating expenditure	\$23.0 million	\$23.0 million	\$24.0 million
Project funding	\$12.5 million	\$12.5 million	\$12.5 million
Total	\$35.5 million	\$35.5 million	\$36.5 million

13. The HKDC may still apply for other sources of project funding (e.g. CreateSmart Initiative) beyond BODW and the HKDC Awards.

FUNDING ARRANGEMENTS

14. As in the past, Government will enter into a funding agreement with HKDC setting out checks and controls for HKDC. The disbursement of funding to HKDC will be subject to necessary safeguards and requirements as set out in the funding agreement, which will largely follow the existing one. The funding agreement will include the following key elements –

- (a) **Three-year business plan** - HKDC will be required to submit to the Controlling Officer annually, before the submission of the annual plan, a three-year business plan, and roll it over every year. The plan should set out the strategic targets of HKDC, performance indicators, staffing structures and a system to interface with stakeholders; and
- (b) **Budgetary controls** - HKDC will be subject to various controls on its operation such as submission of annual plan, budgets and audited accounts for government approval; performance indicators and assessment; acceptance of operational reports and financial statements by the Government; requirement to work up the sponsorship level, etc. To strike a balance between proper control and the operational needs of HKDC, funds will be disbursed on a half-yearly basis. HKDC will also need to comply with its own corporate governance manual, and be subject to value-for-money audits by the Audit Commission if required by Government.

15. On corporate governance, apart from the fact that Government is represented in the Board of HKDC, HKDC has also completed internal audit exercises conducted by an outside audit firm in June 2010 and September 2011, and put in place stringent internal controls as a result.

WAY FORWARD

16. Subject to Members' views, we will seek the Finance Committee's approval of the proposed funding of \$107.5 million for HKDC's basic operation and its organisation of BODW and HKDC Awards.

Communications and Technology Branch
Commerce and Economic Development Bureau
November 2011

**Progress Report of the Work of HKDC
from April to October 2011**

The work of HKDC during the period from April to October 2011 focused on four areas, namely –

- a) Design for Designers;
- b) Design for Business and the Public Sector;
- c) Design for the Public; and
- d) International Promotion and Relations.

Design for Designers

2. HKDC continues to work on the **HKDC Awards** with its various award categories. An intensive marketing program had been conducted to promote the “Design for Asia Awards”. 41 associations and partners have agreed to be the supporting organisations. Two travelling exhibitions, one in Hong Kong and one in Guangzhou, were successfully held in May 2011. Research and promotional trips to Taiwan and Shanghai were arranged in May and June 2011 to meet with designers from different disciplines and design-related associations. With these efforts, a total of 728 entries from 25 countries/regions have been received, which represents a 57% increase from 2010. The “Design Leadership Award” and the “World’s Outstanding Chinese Designer” have respectively received 12 and 16 nominations. For the “Hong Kong Young Design Talent Award”, more than 60 applications were received. As regards the “Design for Asia Student Award”, application was just closed on 20 October 2011 with 70 nominations received. A new “Lifetime Achievement Award Asia” will be added this year. It aims at recognising the significant contributions of a design leader to the global design industry and his/her key role in setting the stage for the design trend in future. All the awards will be presented at the presentation ceremony to be held on 1 December 2011 during the BODW.

3. To further develop the **Hong Kong Design Directory** as an informative web platform serving designers in Hong Kong and the

Mainland of China, a web site enhancement project is in progress. The first phase of the project, which involves upgrading the search engine, data validation and content editing, is scheduled for completion by end 2011.

4. HKDC's **Design Index** research project aims at developing an index to provide an objective source of information about the design sector in Hong Kong. It formulates a framework for examining the landscape and dynamics of design-related industry developments. The framework embraces seven dimensions, including human capital, investment, industry structure, market demand, social and cultural environment, intellectual property rights environment and general conditions for business environment. Following the completion of the first phase of the Design Index research project, HKDC is focusing on developing the framework for use in the second phase of the project – “Manpower and Business Survey”. HKDC will further discuss with the industry players before start planning for the second phase.

5. HKDC has also facilitated **designer exchanges with the Mainland and Taiwan**. For example, it co-organised on 15 July 2011 the Hong Kong Shenzhen Culture and Creative Forum with the Shenzhen Industrial Design Profession Association, and led a Hong Kong delegation of design professionals, together with the Hong Kong Federation of Design Associations, to participate in a conference in Taipei and attended the 2011 International Design Alliance Congress.

Design for Business and the Public Sector

6. Riding on the success of the previous intakes, HKDC, in collaboration with the Centre for Entrepreneurship of the Chinese University of Hong Kong (CUHK), launched the fifth intake programme on **Entrepreneurship for Design and Creative Business**. 20 creative professionals joined the programme which was conducted from June to September 2011. A field trip to visit outstanding companies in graphic design and branding in Shenzhen was held on 22 October 2011. A legacy publication will be published with Hong Kong Economic Times to capture the highlights of guest speaker sessions of the five intakes.

7. The **Knowledge of Design Week (KODW)** is re-branded from Reinventing with Design (ReD), an annual week-long event organised by HKDC. The new identity highlights the significance of the event as a week of continued design learning. KODW has turned into one of the most successful design education and learning weeks in the region. KODW 2011, held during 20-24 June 2011, comprised a full-day conference and 12 interactive workshops. The conference focused on “Design for Asia” and “Design for China”, while the workshops focused on hot topics including inclusive design; brand design; interactive design; product development & design strategy; culture, heritage & product design; ergonomics; strategic design management; innovative design, green design; design & brand strategies; as well as materials & technology. The conference attracted a total of 439 participants while the workshops were attended by a total of 264 participants. A satellite workshop co-created with Philips on “China Homes” also attracted much interest from designers and marketers.

8. The **Hongkong Post Pilot Project** conducted by HKDC commenced in August 2009 with a user-centred design research on Mongkok Post Office. The project has just been completed in October 2011. As this is the first project of Hongkong Post adopting the user-centred design approach, a legacy publication will be published to document the process of conducting the project.

9. In September 2010, HKDC was invited by the Leisure and Cultural Services Department to participate in the **Cornwall Street Park Project** as one of the Project Steering Committee Members and the Project Coordinator. The project, which involves the introduction of a holistic design-oriented approach to the renovation of the park including signage and furniture, aims to establish a set of design principles for application to other parks in future. Construction works commenced in October 2011 with a view to completion by August 2012.

10. The **HKDC Design Library** has served design professionals, students and the general public since 2008. As at October 2011, it has a collection of some 900 books and over 1 400 issues of international design

magazines with supplements.

Design for the Public

11. To build Hong Kong into a design hub, it is important to nurture community-wide understanding and appreciation of the value of design. To this end, HKDC actively promotes public engagement via community-focused seminars, exhibitions, competitions, publications, media programmes and youth programmes. A major youth programme is the **Design to Empower**. It aims to develop students' creative thinking and problem-solving skills through design. The event this year was held on 7 November 2011, targeting over 280 teachers and students. Another youth programme is the **Discover Design 2011** held during 11-31 July 2011. It was a summer career discovery programme tailored for senior secondary students. It comprised studio workshops, conference, mini projects, meet-the-designers session and cultural tours of Hong Kong. 176 students, comprising 160 local secondary students and 16 students from Shantou University, participated in the programme.

12. The **Shenzhen/Hong Kong Exhibition**, co-organised with the Shenzhen Graphic Design Association, was held during 14-26 July 2011 at InnoCentre, featuring graphic design, multi-media, publications and devices from Hong Kong and Shenzhen designers.

13. The **“Hong Kong: Creative Ecologies” Exhibition** was held in the Hong Kong Heritage Museum from February to June 2011, attracting more than 235 000 visitors. More than 1 000 participants attended the guided tours with design dialogue and workshop.

14. HKDC also participated in the Mainland and overseas exhibitions including **“Smart HK”** in Guangzhou during 12-13 May 2011. HKDC's participation in the **Taipei World Design Expo** held during 22-30 October 2011 featured information on HKDC and the projects of the past winners of the “Design for Asia Awards”.

15. **Design Mart** was held in July 2011 to offer an opportunity for emerging designers to display and sell their original design and

innovative products in an open market. Designers, artists and students from all creative disciplines were welcome to join. A total of 76 units and 100 designers participated and over 5 000 visitors visited the mart. A training course in collaboration with the Centre for Entrepreneurship of CUHK and a networking event tailored for Design Mart's vendors were held for the first time. HKDC and Hong Kong Productivity Council, partnering with Bureau of Foreign Trade and Economic Cooperation of Dongguan, provided a business matching platform for the Design Mart vendors. The forum offered a great opportunity for designers to meet with potential business/industrial partners. Design-Ed Mart was also held alongside Design Mart to display information on design courses and educational institutes in Hong Kong.

16. HKDC has re-launched **the Friends of HKDC Programme** since December 2010. It aims to bring together a wealth of expertise and knowledge from a variety of professions under the programme. As at end October 2011, 120 members have joined the membership programme.

International Promotion and Relations

17. HKDC entered into a Memorandum of Understanding with the Taiwan Design Center on 17 June 2011 to establish a platform to facilitate collaborations and information exchanges between the creative industries in both places. Working hand in hand with the Hong Kong Federation of Design Associations, HKDC led a delegation to attend the International Design Alliance Congress 2011 held in Taipei from 24 to 26 October 2011 to manifest the collaboration.

18. HKDC continued to collaborate with a range of Mainland China, Taiwan and overseas organisations, including government organisations, consulates, and design, education and business institutions. From April to October 2011, HKDC received 25 official delegations, including those from the Economic & Information Commission of Guangdong Province, Guangdong Industrial Design Association, Shunde Economy Promotion Bureau, the Taiwan-Hong Kong Economic and Cultural Co-operation Council, Chung-Hua Institution for Economic Research, Korea Gyeonggi

Provincial Government, and numerous other universities and design organisations in Asia, Europe and America.

19. HKDC's events and programmes attracted press attention and interviews with the media, resulting in comprehensive editorial coverage in leading local and international newspapers and magazines. For example, KODW commanded 40 media exposure in local and Mainland media. Other outreach and education programmes which have received extensive media coverage includes Discover Design (10 exposures) and Design Mart (53 exposures) in local English and Chinese newspapers and magazines, as well as on radio and TV programmes. "Teen Power" of RTHK was enlisted as the media partner of these two programmes to help raise the awareness of students, teachers and parents about the value of design and its impact in society through online and radio platforms.

Funding Sources of HKDC

	Actual July 07 – June 08 \$ million	Actual July 08 – June 09 \$ million	Actual July 09 – June 10 \$ million	Estimated July 10 – June 11 \$ million	Projected July 11 – June 12 \$ million	Indicative July 12 – June 13 \$ million	Indicative July 13 – June 14 \$ million	Indicative July 14 – June 15 \$ million
(a) Government funding								
i) support for operation*	19.9	18.5	18.5	22.4	27.1	23.0	23.0	24.0
ii) support for BODW and HKDC Awards [§]	8.5	7.8	9.3	12.0	11.5	12.5	12.5	12.5
iii) support for other projects [§]	7.4	9.4	4.2	7.9	4.7	-	-	-
Sub-total	35.8	35.7	32.0	42.3	43.3	35.5	35.5	36.5
(b) Other income and sponsorship^Δ	10.3	14.9	8.6	12.0	14.5	n/a	n/a	n/a
(c) Total expenditure	46.1	50.6	40.6#	54.3[^]	57.8	n/a	n/a	n/a

* Funding support from Government to support HKDC's operation from July 2007 to June 2012 amounts to \$106.4 million, which comprises the \$100 million allocation from the Government and \$6.4 million carried over from the period before July 2007. The average is \$21.28 million per annum. For the period from July 2012 to June 2015, funding support from Government totals \$70 million or \$23.3 million per annum. The sponsorship amount which the Government has earmarked for HKDC to organise and promote "Hong Kong Design Year" is not included.

- § Funding approved for HKDC's projects varies with the number and scale of individual programmes organised each year.
- △ Sponsorship in kind is included. For the period from July 2007 to June 2008, sponsorship in kind is only included for BODW, HKDC Awards and other projects.
- # Fall in expenditure was a result of cancellation of some programmes (including overseas programmes) because of the H1N1 outbreak and downturn of the economy.
- ^ The increase in programmes expenditure is due to planned increase in expenditure to pursue more initiatives and programmes to promote Hong Kong design both in and outside Hong Kong including the growing market of the Mainland, and the take-up of new programmes funded by government departments, e.g. programmes funded by Hongkong Post, Leisure and Cultural Services Department.