

**For discussion
on 17 October 2017**

**2017-18 Policy Address
Policy Initiatives of
Communications and Creative Industries Branch
Commerce and Economic Development Bureau**

Our Vision

The economy of Hong Kong is currently performing quite well. In the second quarter of this year, Hong Kong has recorded an year-on-year economic growth of 3.8% in real terms. The latest unemployment rate remains at a very low level of 3.1%. In the past 20 years, the Mainland and Hong Kong, as well as economies in the vicinity, have experienced enormous economic growth. China is now one of the largest economies in the world, while Asia has also become the engine for global economic growth.

2. In view of opportunities arising from changes in the external trade front, with its unparalleled strengths under “One Country, Two Systems”, advantageous geographical location, free and open markets, highly efficient and transparent regulatory regime, reputable legal system, as well as a business environment which is highly compatible with international standards, Hong Kong should be able to enjoy more significant economic growth and long-term economic development.

3. In this connection, we need to search for a new focus for Hong Kong’s economic development, so that our economy can further prosper. Hong Kong must develop into a high value-added and diversified economy. The traditional pillar industries must innovate and look for new opportunities in the Mainland and overseas markets. Emerging creative industries must expand and drive Hong Kong’s continuous economic growth, and embrace the development opportunities arising from the Belt and Road Initiative and the development of the Guangdong-Hong Kong-Macao Bay Area.

Creative Industries

4. Creative industries¹ are an important element that helps Hong Kong generate new impetus for economic growth. Through Create Hong Kong and the CreateSmart Initiative (CSI), the Government has all along been collaborating with the trade to foster the development of creative industries. To date, CSI has funded some 400 projects of different scales. Among the various creative sectors, growth of the design sector has been highly impressive. Between 2005 and 2015, the growth in value added reached 314%, representing an average annual growth rate of 15%, which is higher than the growth of the overall economy during the same period. Creative industries are not only a cluster of new professions to which young people aspire to join, but also are a powerhouse that can boost the economy, add value, and rejuvenate Hong Kong to become an even more attractive international city. The current-term Government attaches great importance to the furtherance of the creative sector, with emphasis on our younger generation by providing them with more opportunities to unleash their potential. We will adopt a new mindset to promote the development of creative industries.

Promoting creative and design mindset

5. In the arenas of public service and private businesses, we can make better use of our creativity to help enhance the decision making process and improve services and products, and adopt it as a “problem-solving” tool in public administration and business operations. To this end, the Government will take lead to promote Hong Kong as a city that values creativity and design.

6. In the coming year, we will work with the Civil Service Training and Development Institute and the Efficiency Unit to include creativity and design thinking as key elements of training programmes for directorate officers, and to work actively with key public service providers within the Government to re-design their workflow and communication channels with the public through effective application of design thinking, so as to further enhance efficiency and meet people’s needs.

¹ Creative industries cover eight specific sectors, including film, design, digital entertainment, advertising, architecture, television, music and printing & publishing. In 2015, the creative industries employed over 135,000 persons.

7. We will encourage corporates and society to attach greater importance to creative and design elements, so as to promote the development of Hong Kong's creative industries. In this connection, we propose to inject \$1 billion into the CSI to strengthen our support for the development of design and creative industries, especially the nurturing of young talents. Noting the need to raise public awareness of the importance of design and creativity, emphasis of the \$1 billion funding injection will also be put on enabling our community to have a better understanding of creative thinking and design ability. In this regard, the Hong Kong Design Centre (HKDC)² has always been a close working partner of the Government in promoting design and related creative industries. We propose to provide more resources for HKDC to implement a series of measures to promote design mindset among different age groups and to reinforce Hong Kong's status as a city of design excellence in Asia.

8. There is no shortage of creativity and innovation in Hong Kong. Internationally renowned creative and design events such as the "Business of Design Week" (BODW) and "DFA Awards", for example, have become annual iconic events attracting much attention in the region, highlighting Hong Kong as a city of creativity. The BODW and its related events in 2016 alone attracted some 140 000 local and overseas participants. In view of this, we will strengthen the collaboration with the Tourism Board and other relevant bodies to lift BODW into an iconic design and tourism event for Hong Kong and the world.

Promoting fashion design

9. In the design sector, fashion is an established and mature industry which the Government will endeavour to further its development. Sham Shui Po is a traditional base for apparel and fabrics. We will actively look into ways for enabling our young designers to fully use the existing advantages of the Sham Shui Po district to create new synergy. This fuels the local economy, enriches the tourism resources of the district on the one hand, and fosters the development of Hong Kong's fashion design industry on the other.

² Since the establishment of HKDC in 2001, the Government has provided a total of \$300 million to fund its operation, with the aim of nurturing design talent, as well as enhancing and promoting the image of Hong Kong's design industry in the region and around the world.

Nurturing creative talents

10. The Design Incubation Programme administered by the HKDC has so far admitted 203 start-ups. These start-ups have attained considerable achievements, including getting 59 international awards³ and 235 local awards, as well as lodging applications for six patents, 260 trademarks and 57 registered designs. Last year, we raised the incubation admission quota from 20 to 30 per annum. As regards the Fashion Incubation Programme, which is also administered by HKDC, there have been five start-ups admitted so far. Another ten start-ups will be admitted in the coming two years to help groom new blood for the fashion industry.

11. We will continue to collaborate with the film trade to provide local training programmes for frontline talents in the film production and post-production sectors. Admission of this year's programme of over 100 training places will start by year end, and our aim is to provide a total of over 200 places in the coming two to three years. In addition, we will subsidise outstanding talents in the post-production sector to undertake overseas studies or internships. We have so far arranged 16 internship places, with the first batch of students departing in December this year. Our aim is to provide a total of 30 internship places in the coming three years. The Film Development Fund (FDF) will also continue to fully subsidise, through the First Feature Film Initiative, new film producers to produce their first feature films.

Market development

12. We will continue to support the trade to participate in fashion weeks, book fairs and exhibitions, etc. in the Mainland and overseas, to explore business opportunities and promote the image of "Hong Kong Brand" of our creative industries. We will continue to organise promotional tours for the industry to visit Belt and Road regions and attend large film trade fairs or stage events such as exhibitions and talks with a view to exploring business opportunities and promoting Hong Kong's film post-production, location filming and assistance services.

13. Moreover, we will explore feasible measures to expand Hong Kong publishers' market in the Mainland, including funding Hong Kong publishers to participate in book fairs and holding cross-sector

³ These include international design awards such as Red Dot Award, iF Design Award and Industrial Design Excellence Award, etc.

promotional activities in Hong Kong and in the Mainland.

Promote cross-sector and cross-territory collaboration

14. Through regional business platforms such as “Hong Kong International Film & TV Market”, “Hong Kong – Asia Film Financing Forum” and “Business of Design Week”, etc., we will continue to strengthen our overseas business ties and collaboration to achieve cross-sector, cross-industry and cross-territory collaborations, thereby promoting the image of “Hong Kong Brand” through the interplay of elements of tourism, business and film and television. We will fully utilise Hong Kong’s role as a talent hub for creative industries to jointly promote the making of Cantonese film and television productions in Guangdong, Hong Kong and Macao.

Film development

15. As for the film sector, the Government has adopted a multi-pronged approach in promoting the development of the film industry. The Government has since 2007 injected \$540 million into the FDF and supported the production of a large number of films via the fund. Many of the films have achieved encouraging results, winning over 110 local and international awards. In the light of changes in the film industry in the past decade, we will review the operation of the FDF this year with a view to driving further development of the local film industry and nurturing more professionals for film production and post-production services such that the industry will be able to better respond to market needs.

16. As a follow up to implementing the measure on increasing the supply of cinemas, we are undertaking planning work for incorporating in the land sale conditions the cinema requirement in two Government land sites. If everything goes smoothly, we expect that the first site can be put up for sale in the coming two to three years. Increasing the provision of cinemas will provide greater convenience for movie-goers and support audience-building, and is conducive to the long-term development of Hong Kong’s film industry. We will continue to implement other measures to facilitate movie-watching by members of the public.

Broadcasting and Telecommunications

Review on the Broadcasting Ordinance and the Telecommunications Ordinance

17. The popularisation of online infotainment has completely changed the business environment of Hong Kong's broadcasting industry. Traditional broadcasting operators are facing increasingly keen competition from online media platforms such as "over-the-top" (OTT) television services as well as other Internet-based infotainment sources which have been growing exponentially in recent years. The phenomenon has also brought to light the existing discrepancies in the regulatory regime for the broadcast contents of traditional media and the Internet platforms.

18. To provide a balanced competitive environment for the broadcasting market and to leave more room for innovation and investment in order that the development of local free television services can sustain, the Government is reviewing the broadcasting-related ordinances. The goal is to relax obsolete statutory requirements and rationalise the regulatory regime.

19. Traditional media have great influence as they reach every household directly and its members, regardless of age, easily. The Government is well aware that some improvement or deregulation proposals could turn out to be controversial as some members of the public might consider that free television services should be kept under strict control. We will do our best to gauge public opinions and maintain close communication with the industry in the process. We will listen carefully and evaluate the responses from different sectors before making a decision. We aim to launch the public consultation on relaxing the regulatory regime in early 2018. We will also consult this Panel during the consultation.

20. The review of the broadcasting regulatory regime is part of the Government's efforts in conducting the comprehensive review of the Broadcasting Ordinance and Telecommunications Ordinance. In parallel with the review of the legislation by the Government, the Communications Authority ("CA") regularly reviews its regulations having regard to developments of the broadcasting industry and concerns of the general public. For instance, in response to discussion of the society and the changing landscape of the local TV market, the CA announced in September 2017 its decision to, taking into account the

results of an opinion survey and a study of overseas practices, review the relevant provisions in the codes of practice governing indirect advertising and product placement in free television services, with a view to relaxing, wherever possible and appropriate, the current regulatory regime.

Broadband services in remote areas

21. Currently, the household broadband penetration rate in Hong Kong is over 90%, ranking among the highest in the world. Most people can now enjoy high-speed quality broadband services. However, as regards the situation of villages in rural and remote areas in the New Territories and outlying islands, the progress of network coverage by telecommunications companies is undesirably slow. In view of this, we propose that the Government take the lead to provide telecommunications companies with financial incentives in the form of a subsidy to encourage the extension of fibre-based network to villages in rural and remote areas. The plan will cover about 380 villages currently without high-speed broadband network coverage and is expected to benefit nearly 170 000 villagers.

Re-assignment of spectrum in the 900 MHz and 1800 MHz bands

22. The existing assignments of 198.6 MHz of frequency spectrum in the 900 MHz and 1800 MHz bands for the provision of mobile services will expire in the period between November 2020 and September 2021. The CA and the Secretary for Commerce and Economic Development have jointly conducted two rounds of public consultation on the spectrum re-assignment arrangements and the related spectrum utilisation fee (“SUF”). They are preparing for the issue of a joint statement in around end 2017 to announce their respective decisions on the spectrum re-assignment arrangements and the related SUF so that incumbent spectrum assignees will have about three years’ time to carry out the necessary preparatory works.

Preparing for future telecommunications developments

23. Looking ahead, in order to ensure that the supply of telecommunications infrastructure capacity in Hong Kong can meet future demand, we have engaged a consultant to undertake a study on the future supply of and demand for telecommunications infrastructure capacity in Hong Kong. The consultancy study is expected to be completed in the second half of 2018.

24. Further, it is widely anticipated in the market that the fifth generation mobile communications (“5G”) services will be launched in around 2020. With a view to preparing for the launch of 5G services, the CA announced in March 2017 its work plan for making available spectrum for 5G services, and the Office of the Communications Authority has all along been closely following up on the relevant work of the International Telecommunication Union, and assisting interested parties in conducting technical trials to pave the way for 5G services.

25. Panel Members are invited to note the content of this paper.

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