

立法會
Legislative Council

LC Paper No. CB(1)361/19-20
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by the Administration)

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Panel on Information Technology and Broadcasting

Minutes of meeting
held on Monday, 9 December 2019, at 2:30 pm
in Conference Room 3 of the Legislative Council Complex

- Members present** : Hon Charles Peter MOK, JP (Chairman)
Hon Elizabeth QUAT, BBS, JP (Deputy Chairman)
Hon James TO Kun-sun
Hon WONG Ting-kwong, GBS, JP
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Hon Claudia MO
Hon YIU Si-wing, BBS
Hon MA Fung-kwok, SBS, JP
Hon CHAN Chi-chuen
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon CHUNG Kwok-pan
Hon Alvin YEUNG
Hon SHIU Ka-fai, JP
Hon YUNG Hoi-yan, JP
Hon CHAN Chun-ying, JP
Hon HUI Chi-fung
- Members absent** : Dr Hon Priscilla LEUNG Mei-fun, SBS, JP
Hon CHAN Han-pan, BBS, JP
Hon CHU Hoi-dick

**Public officers
attending**

: Agenda item III

Innovation and Technology Bureau

Mr Nicholas YANG Wei-hsiung, GBS, JP
Secretary for Innovation and Technology

Mr Davey CHUNG Pui-hong, JP
Deputy Secretary for Innovation and Technology (2)

Ms Eva YAM Ya-ling
Principal Assistant Secretary for Innovation and
Technology (3)

Hong Kong Cyberport Management Company
Limited

Mr Peter YAN King-shun
Chief Executive Officer

Mr Howard Brain CHENG Hay-wing
Chief Operating Officer

Ms Stella KWAN Mun-yee
Chief Corporate Development Officer

Agenda item IV

Commerce and Economic Development Bureau

Mr Clement LEUNG, JP
Permanent Secretary for Commerce and Economic
Development (Communications and Creative
Industries)

Mr Keith GIANG
Principal Assistant Secretary for Commerce and
Economic Development (Communications and
Creative Industries)A

Office of the Communications Authority

Mr Chaucer LEUNG
Director-General of Communications

Ms Helen LAI
Assistant Director (Market & Competition)

Innovation and Technology Bureau

Mr Tony WONG, JP
Assistant Government Chief Information Officer
(Industry Development)

Clerk in attendance : Mr Daniel SIN
Chief Council Secretary (1)6

Staff in attendance : Ms Mandy LI
Senior Council Secretary (1)6

Mr Patrick CHOI
Council Secretary (1)6

Miss Yolanda CHEUK
Legislative Assistant (1)6

Action

I. Information papers issued since the last meeting

Members noted that no paper had been issued since the last meeting held on 11 November 2019.

II. Date of next meeting and items for discussion

(LC Paper No. CB(1)214/19-20(01) -- List of outstanding items for discussion

LC Paper No. CB(1)214/19-20(02) -- List of follow-up actions)

Regular meeting on 13 January 2020

2. Members noted that the next regular Panel meeting would be held on Monday, 13 January 2020 at 2:30 pm to discuss the following items:

(a) Hong Kong's external telecommunications connectivity; and

- (b) Update on information security.

Data centre development in Hong Kong

3. Mrs Regina IP suggested that the Administration should brief the Panel on the development of data centres in Hong Kong. She mentioned that the Administration currently offered favourable terms to attract overseas companies to set up data centres in Hong Kong with the objectives of promoting the local technological development in data mining, big data analytics, etc. She asked if the Administration could explain how far these objectives had been achieved and how Hong Kong's digital economy had benefited as a whole. The Chairman took note of Mrs IP's views, and said that he would convey the same to the Administration for arrangement.

(Post-meeting note: Mrs IP's views were reflected on the list of outstanding items for discussion by the Panel, and brought to the attention of the Administration thereby. According to the Administration, it would provide an information paper on this subject for members' reference in the second quarter of 2020.)

Visit to Smart Government Innovation Lab and Hong Kong Applied Science and Technology Research Institute in February 2020

4. The Chairman informed members that a visit to the Smart Government Innovation Lab and the Hong Kong Applied Science and Technology Research Institute had been rescheduled for Tuesday, 11 February 2020, from 9:00 am to 1:45 pm. The Secretariat issued a notice vide LC Paper No. CB(1)202/19-20 on 29 November 2019 inviting Panel members and non-Panel Members to join the visit. The Chairman invited members to enroll for the visit as early as possible.

III. Annual Work Progress of Cyberport

(LC Paper No. CB(1)214/19-20(03) -- Administration's paper on Annual Work Progress of Cyberport

LC Paper No. CB(1)214/19-20(04) -- Paper on Cyberport prepared by the Legislative Council Secretariat (Updated background brief))

Briefing by the Administration

5. At the invitation of the Chairman, Secretary for Innovation and Technology ("S for IT") gave introductory remarks on the work of Cyberport. S for IT highlighted that, to attract more quality technology companies and start-ups to set up their offices in Cyberport and provide a pathway for young people to pursue a career in innovation and technology ("I&T"), Cyberport planned to carry out its expansion project at an existing waterfront site of approximately 1.6 hectares. As for the rezoning of the site required, the proposed amendments to the approved Pok Fu Lam Outline Zoning Plan ("OZP") No. S/H10/17 had been submitted to the Metro Planning Committee ("MPC") of the Town Planning Board ("TPB") for gazettal in September 2019. With the aid of a powerpoint presentation, Chief Executive Officer, Hong Kong Cyberport Management Company Limited ("CEO/HKCMCL") briefed members on the progress of Cyberport's work and its expansion plan. He said that the tentative plan was to submit the funding proposal for Cyberport expansion to the Finance Committee ("FC") for approval in the first half of 2021. Construction was expected to commence in the fourth quarter of 2021 for completion in 2024 at the earliest. Details of the briefing were given in the Administration's paper (LC Paper No. CB(1)214/19-20(03)).

(Post-meeting note: A soft copy of the powerpoint presentation materials (Chinese version only) was issued to members vide LC Paper No. CB(1)224/19-20(01) by email on 9 December 2019.)

Discussion

Cyberport expansion plan

6. Ms Claudia MO noted that the Administration had earmarked \$5.5 billion for the expansion of Cyberport. She queried the justification for undertaking the expansion plan amid an economic downturn when Cyberport had announced a 50% rental concession for its tenants and start-ups. Ms MO further said that the Administration had told Panel members that the project was supported by the District Council ("DC") and had been subsequently submitted to TPB for consideration, however, according to a questionnaire survey conducted by Mr Paul ZIMMERMAN, who was a District Councillor of the Southern District Council ("SDC"), 56% of the local residents were against the Cyberport expansion project. She then asked if the expansion project was already a done deal and that there was no way any objection could be made against it at this stage. Ms MO also asked about the possible implications of the Cyberport expansion plan on the construction of Route 4 (section between Kennedy Town and Aberdeen) and the South Island Line (West).

7. Deputy Secretary for Innovation and Technology (2) ("DS(2)") explained that the Administration had included SDC's views in the submission to the MPC meeting in September 2019. The statutory town planning process was still underway and members of the public could express their views during the public inspection period. In response to another enquiry from Ms MO as to whether the Administration would consult SDC on this expansion project after the commencement of the new DC term, DS(2) undertook to consult SDC again on the subject matter. S for IT added that to his understanding, the proposed Route 4 (section between Kennedy Town and Aberdeen) had been scrapped. Cyberport proposed to conduct the expansion project at an existing waterfront site on top of an underground sewer, which only allowed topside development.

8. The Deputy Chairman considered that the efforts of Cyberport in nurturing financial technology ("FinTech") enterprises and talent were commendable. She was concerned that while the high utilization rate of the co-working space in Tsuen Wan had demonstrated a strong demand of local start-ups for office space, the expansion of Cyberport would not be completed before 2024. The Deputy Chairman asked what measures Cyberport might introduce to help local start-ups.

9. S for IT advised that Cyberport had in place an incubation programme that offered, in addition to on-site incubation, an off-site arrangement for technology start-ups. While Cyberport had been supporting digital start-ups through its Smart-Space co-working space with well-equipped office facilities, the Administration would provide an injection into Cyberport for the development of Cyberport 5. Cyberport would also consider operating other working space if there were suitable sites. CEO/HKCMCL said that Cyberport would endeavor to maximize the utilization of the campus so as to accommodate more start-ups.

10. Mr YIU Si-wing observed that the office space and Smart-Space co-working space at Cyberport had an occupancy rate of 93% and 98% respectively, whereas the current occupancy rate of the co-working space in Tsuen Wan was 99%. In his view, digital technology start-ups found the co-working space in Tsuen Wan more attractive as the location was more convenient. Instead of relying merely on the Cyberport expansion plan, Mr YIU suggested that the Administration should devise short, medium and long-term plans in a bid to drive the continuous and sustainable development of I&T in Hong Kong. The Administration should also continue to explore suitable sites such as industrial buildings for providing working space for I&T start-ups under the Space Sharing Scheme for Youth.

11. S for IT responded that at present, Hong Kong had some 90 co-working space providers. The Administration hoped to create a diverse and vibrant I&T

ecosystem through the provision of office space by Cyberport. To this end, Cyberport operated the "Smart-Space 8", offering 20 000 square feet of co-working space in Tsuen Wan to meet the needs of start-ups and young entrepreneurs. Moreover, the Administration had been actively promoting the development of digital technology, including e-sports and Fintech, with a view to providing Hong Kong with a broader arena for I&T development.

12. Mr HUI Chi-fung enquired whether and how the Administration would ensure that Cyberport would not be over-developed. While the proposed expansion of Cyberport was conducive to the development of the I&T industry, Mr HUI reminded the Administration to avoid depriving the local community of public recreational space due to excessive development of Cyberport. Pointing out that the green and open space of Cyberport was one of the factors for attracting more quality technology companies and start-ups to set up their offices in Cyberport, Mr HUI was concerned that high-density development in Cyberport would end up dissuading these companies from setting up offices in Cyberport. Mr HUI asked whether Cyberport had any further expansion plan, particularly whether the Administration/Cyberport could ensure that no more development would take place at the existing waterfront site.

13. S for IT advised that Cyberport would only use a small part of the existing waterfront site to build Cyberport 5, whereas the remaining open space of the existing waterfront park would not be affected. The expansion of Cyberport would be beneficial to Hong Kong as it would create new job opportunities for young people. He said that the Administration did not have a further expansion plan. S for IT also mentioned that Cyberport was committed to fostering the development of digital technology in Hong Kong over the years. Besides, the Administration had provided a funding injection into Cyberport in 2018 to enhance existing measures and introduce new initiatives to support its start-ups and tenants as well as to promote the development of e-sports industry. DS(2) added that the proposed amendments to the approved Pok Fu Lam OZP including the rezoning of the remaining areas of the existing Cyberport Waterfront Park to "Open Space".

14. Noting that the occupancy rate of the Cyberport's office space was high, Ir Dr LO Wai-kwok considered that the expansion of Cyberport would provide start-ups with more office space and facilities to support I&T development in Hong Kong. Ir Dr LO enquired about Cyberport's target of providing the newly created space to start-ups upon completion of the expansion project and waterfront park enhancement works.

15. CEO/HKCMCL elaborated that Cyberport 5 was proposed to be built on an existing waterfront site with a gross floor area of around 66 000 square metres (about 750 000 square feet). Cyberport 5 would provide technology

companies and start-ups with office space and Smart-Space, conference and information technology facilities in a more comprehensive manner. For example, the new building would provide a multi-function hall accommodating around 800 to 1 000 people. It would also have the flexibility of being subdivided into smaller function rooms with a capacity of 300 to 400 people each to meet the needs of different events. Overall, it was expected that Cyberport 5 would increase Cyberport's total floor area of office space by about 50%.

16. Noting that the Cyberport Companies' disposable reserve was about \$383 million as at end-March 2019, Ir Dr LO Wai-kwok commented that the Administration should expeditiously seek funding approval from the Legislative Council on the proposed injection of \$5.5 billion into Cyberport. The Chairman commented that the Administration should only submit the relevant funding proposal to FC until the completion of the statutory town planning procedures and the necessary consultation process.

Cyberport Incubation Programme

17. Mr CHAN Chun-ying noted that the number of applications for the Cyberport Incubation Programme had decreased from 677 in 2018-2019 to 420 in 2019-2020 (a 38% decrease). He enquired why the number of applications had dropped significantly over the past two years notwithstanding that Cyberport had increased the amount of financial subsidy under the programme since the fourth quarter of 2018. Mr CHAN also pointed out that the annual intakes of the programme in 2018-2019 and 2019-2020 (as at October 2019) were 108 and 88 respectively, meaning that the rate of intake had increased from 16% in 2018-2019 to 21% in 2019-2020. He asked whether Cyberport would relax the application criteria of the programme to encourage applications.

18. CEO/HKCMCL advised that the number of applications for the Cyberport Creative Micro Fund in 2019-2020 was estimated to be about 800, similar to that of the previous year, while the estimated number of applications under the Cyberport Incubation Programme would slightly decrease from about 700 in 2018-2019 to around 600 in 2019-2020. CEO/HKCMCL explained that the slight decrease in the number of applications was mainly attributed to a keen competition for the Programme over the past years. In view of this, potential applicants might have the impression that getting an application approved was difficult, and they were somewhat less motivated to apply. To enhance its support to start-ups, Cyberport offered guidance and assistance to the unsuccessful applicants to facilitate them to submit new applications for the Programme.

19. Mr MA Fung-kwok noted that since the implementation of the Cyberport Incubation Programme in 2005, Cyberport had admitted a total of

725 technology start-ups, and among them, 74% had survived for three years or more. He asked about the survival rate and how many of the incubatees were able to sustain for five or 10 years, and why some start-ups were unable to sustain up to three years after having graduated from the programme.

20. CEO/HKCMCL responded that about 60% of the start-ups had survived for five years after graduation, while he did not have statistics on the survival rate of start-ups which were able to sustain up to 10 years. In general, start-ups were not able to sustain due to various factors such as poor operation of the companies concerned.

Development of e-sports

21. Mr MA Fung-kwok noted that the Home Affairs Department ("HAB") had published in April 2019 the Guidance Note on Application for Exemption of E-Sports Venues from the Licence Requirement under the Amusement Game Centres ("AGC") Ordinance (Cap. 435) (Guidance Note) and started accepting applications to exempt eligible e-sports venues from the requirements of AGC Licence through relevant mechanism. He sought information on the applications for exemption of e-sports venue in Cyberport from the licence requirement, including the number of applications received, approved or rejected by the Administration. DS(2) said that a total of seven applications for exemption from the licence requirement had been received by HAB. Three of them subsequently withdrew their applications. The remaining four were under processing of which two were expected to be approved soon.

22. Mr MA Fung-kwok further enquired about the respective roles of the dedicated e-sports venue in the Cyberport Arcade vis-à-vis other e-sports venues operated by private sector, in particular whether this would give it unfair competitive advantage over private operators concerned.

23. CEO/HKCMCL responded that according to the Report on Promotion of E-sports Development in Hong Kong conducted in 2017, most of the e-sports events conducted in Hong Kong were of smaller scale involving about 40-50 players, while large-scale e-sports competitions held in the Hong Kong Coliseum and the Hong Kong Convention and Exhibition Centre often involved several thousands of participants. To address the shortage of medium-sized e-sports venues in Hong Kong, Cyberport developed the Cyberport Arcade into an e-sports venue, which could accommodate about 500 spectators. CEO/HKCMCL emphasized that Cyberport had been working closely with the industry. For example, preliminary rounds of e-sports competitions were held in smaller scale e-sports venues operated by e-sports associations whereas finals were held in Cyberport. A total of nine e-sports related events (as at October 2019) had been held at the dedicated e-sports venue so far.

24. Ms YUNG Hoi-yan noted that 26 applications under the E-sports Industry Facilitation Scheme had been approved so far. She asked the Administration to provide supplementary information on the respective number of applications received, approved or rejected by Cyberport, and whether and how Cyberport would elucidate the eligibility criteria of the Scheme in an open manner while Cyberport would provide financial assistance to the three major areas of industry activities. She also suggested that Cyberport should provide the application guideline and form in both Chinese and English versions so as to facilitate understanding by the applicants.

(Post-meeting note: The Administration's response was circulated to members vide LC Paper No. CB(1)325/19-20(01) on 10 January 2020.)

25. As regards the support for business exchange and development, Ms YUNG asked about the number of applications received and approved by Cyberport, and the justification for approving or rejecting such applications. She also sought details of the 22 internship places approved under the E-sports Internship Scheme, such as the number of enrolment and the number of companies provided internship places.

(Post-meeting note: The Administration's response was circulated to members vide LC Paper No. CB(1)325/19-20(01) on 10 January 2020.)

26. CEO/HKCMCL replied that the number of applications for the E-sports Industry Facilitation Scheme was more than doubled the number of approved applications. As the E-sports Industry Facilitation Scheme aimed to provide financial support for organizing a great variety of industry activities, Cyberport had rejected some applications which were commercial in nature. CEO/HKCMCL added that the E-sports Industry Facilitation Scheme also supported the industry and relevant organizations in holding and participating e-sports competitions and activities conducive to the development of industry locally and overseas, such as e-sports competition in the 2018 Asian Games in Indonesia. CEO/HKCMCL assured members that Cyberport would continue with the on-going efforts to promote the Scheme to the e-sports industry, including providing the Chinese version of the application guideline and form as far as practicable. For the 22 internship places approved under the E-sports Internship Scheme, CEO/HKCMCL said that the 22 internship places were provided by different companies.

27. The Deputy Chairman asked the Administration to step up publicity on e-sports, particularly to correct certain public perception that, by promoting e-sports, the Administration was encouraging young people to indulge in playing computer games. S for IT responded that as e-sports was an emerging industry

with potential for economic development and was popular among young people, the Administration would step up promotion and education in the community so as to project a positive impression of e-sports on the public and increase their interest in the games.

28. Mr CHAN Chi-chuen noticed that the Administration had injected \$100 million into Cyberport in 2018-2019, of which \$50 million was used for establishing the Cyberport Arcade as an e-sports and digital entertainment node, while the remaining \$50 million was used for promoting the development of the local e-sports industry. He asked about the utilization of the remaining \$50 million of the injection, including whether the funding was used for supporting the E-sports Industry Facilitation Support Scheme. He also sought details of the nine e-sports events that were held at the dedicated e-sports venue in the Cyberport Arcade as of end October 2019. At the request of the Chairman, the Administration would provide a written response to Mr CHAN's question after the meeting.

(Post-meeting note: The Administration's response was circulated to members vide LC Paper No. CB(1)325/19-20(01) on 10 January 2020.)

Easy Landing Scheme

29. Mr CHAN Chi-chuen noted that under the Easy Landing Scheme, the rental concessions had been provided to two companies, namely ZhongAn and Amazon Web Services ("AWS") Hong Kong Limited, by phases depending on their participation in and collaboration with Cyberport, while Cyberport also announced a 50 % rental concession for its tenants and start-ups for the period from October 2019 to March 2020. He asked whether Cyberport would offer both concessions to the two aforementioned companies.

30. CEO/HKCMCL responded that Cyberport had currently provided a 50% rental concession to ZhongAn and AWS under the Easy Landing Scheme, with the condition of having collaboration with and contribution to Cyberport, while at the same time granted the two companies a 50% concession on rental for a period of six months. The operation and global connection and network of the ZhongAn and AWS helped foster the growth of start-ups in Cyberport on various fronts, including product and business development as well as creation of investment opportunities, thus creating a favourable and sustainable I&T ecosystem.

31. Mr CHAN Chi-chuen further asked whether Cyberport would consider extending the period of rental concession for its tenants and start-ups if necessary. The Chairman raised a similar query and pointed out that the tenants of Cyberport were very concerned about whether the provision of a six-month

50% rental concession could be extended in order to help reduce the operating costs of technology companies and facilitate the start-ups to deploy resources as appropriate to recruit additional manpower. The Chairman asked the Administration to announce the arrangements, if any, as soon as possible. CEO/HKCMCL and S for IT said that Cyberport would, in tandem with the Administration's policy on supporting enterprises, review the need to extend the period of relief measures as appropriate. Cyberport would also offer appropriate support to its tenants and start-ups when necessary.

Nurturing technology talent

32. Mr CHAN Chun-ying noted that Cyberport would enhance FinTech specific training for in-service financial practitioners to enrich the FinTech talent pool and promote FinTech applications in the traditional financial industries. He said that the trade generally welcomed the initiative, and asked about the differences between the FinTech related training courses organized by Cyberport and local institutions such as the University of Hong Kong School of Professional and Continuing Education. Mr CHAN was also concerned how Cyberport would inform financial practitioners of the training courses, including whether Cyberport would work with the Hong Kong Institute of Bankers to enhance the promotion of these training courses. Noting that Cyberport would establish a new FinTech event space in Wanchai, Mr CHAN queried whether the space was limited as compared with the working space in Cyberport. He requested Cyberport to give an account of its decision to set up the event space in Wanchai.

33. The Deputy Chairman commented that Cyberport should arouse the interests of young people, particularly primary and junior secondary students, in learning I&T. However, a number of activities organized by Cyberport were mainly targeted at senior secondary and tertiary students. The Deputy Chairman therefore suggested that Cyberport should promote I&T development by organizing programmes and events for young people, and step up promotional efforts focusing on primary and junior secondary students, with a view to encouraging greater participation by students.

34. S for IT explained that Cyberport had been cultivating the whole I&T ecosystem and it mainly focused on highly specialized industries such as Fintech. FinTech was currently a key development area of Cyberport, which hosted the biggest FinTech community in Hong Kong with more than 300 FinTech companies. S for IT said that the Administration would need to think carefully on how this area of work could be presented to primary and junior secondary students. The Administration would also consider strengthening the promotion of popular science education.

Other views

35. The Deputy Chairman called on Cyberport to strengthen its manpower resources for providing a wide range of support services such as hotline services for various funding schemes especially the Cyberport Creative Micro Fund, so as to provide efficient support for young people and start-ups. CEO/HKCMCL replied that Cyberport would strengthen staffing support to undertake workload arising from various funding schemes including the Cyberport Creative Micro Fund.

36. Mr YIU Si-wing commented that the development of the Guangdong-Hong Kong-Macao Greater Bay Area ("Greater Bay Area") would present major opportunities for I&T development in Hong Kong. He enquired whether Cyberport had any plans to capitalize on the opportunities arising from the development of the Greater Bay Area so as to facilitate its I&T start-ups, such as the tenants under the Space Sharing Scheme for Youth and the office tenants in Cyberport, in opening up new markets and exploring more collaboration opportunities. S for IT said that Cyberport would continue to pursue collaboration with the Mainland and overseas counterparts. The Chairman asked the Administration to provide supplementary information in this regard after the meeting.

(Post-meeting note: The Administration's response was circulated to members vide LC Paper No. CB(1)325/19-20(01) on 10 January 2020.)

IV. Public Payphone Review and Free Wi-Fi Hotspots in Public Telephone Kiosks

(LC Paper No. CB(1)214/19-20(05) -- Administration's paper on Public Payphone Review and Free Wi-Fi Hotspots in Public Telephone Kiosks

LC Paper No. CB(1)214/19-20(06) -- Paper on public payphone review and free Wi-Fi hotspots in public telephone kiosks prepared by the Legislative Council Secretariat (Background brief))

Briefing by the Administration

37. At the invitation of the Chairman, Permanent Secretary for Commerce and Economic Development (Communications and Creative Industries) ("PS(CCI)), Assistant Director (Market & Competition), Office of the Communications Authority and Assistant Government Chief Information Officer (Industry Development), Innovation and Technology Bureau ("AGCIO(ID)) briefed members on the public payphone review and the latest development of free Wi-Fi hotspots in public telephone kiosks. Members noted that due to a drop in public demand, the Administration decided to exclude about 35% and 50% of the respective total number of in-building and kiosk payphones from the universal service obligation ("USO"), and most of these payphones would be removed. As some of the kiosk payphones concerned have also functioned as free Wi-Fi hotspots, the Administration would consider installing replacement free Wi-Fi hotspots in their neighbouring vicinities. Members also noted that the Office of the Communications Authority ("OFCA") had been facilitating the introduction of some new functions to public telephone kiosks. Details of the briefing were given in the Administration's paper (LC Paper No. CB(1)214/19-20(05)).

Discussion

Removal of public payphones

38. Mr SHIU Ka-fai asked whether there was a statutory requirement on the minimum number of payphones to be provided under USO.

39. Director-General of Communications, OFCA responded that the Telecommunications Ordinance (Cap. 106) only required the provision of a reasonable number of public payphones under USO. The number of payphones deemed reasonable might vary from time to time, depending on the prevailing public demand for such service. Mr YIU Si-wing commented that provision of public payphones, as a kind of public services for tourists and those who had no mobile phone, should not be abolished altogether. The Chairman commented that the trade should have the incentive to retain most of the public payphones in question, as the universal service contribution ("USC") required for retaining these payphones was not exceedingly high, whereas the locations of these payphones, if retained, could serve as potential Wi-Fi hotspots or small cell base stations in the future.

40. Mr YIU Si-wing asked what guiding principles were adopted by the Administration in determining which payphones should be removed. In particular, Mr YIU asked whether the decision was mainly based on the operator's recommendation. PS(CCI) explained that the Administration had

reviewed the need for those public payphones with an extremely low usage rate, i.e. those with an average daily revenue of not more than \$1. However, kiosk payphones located in remote areas with no mobile network coverage and no alternative kiosk payphone in the vicinity would be retained. Relevant stakeholders (including the 18 District Councils and the site owners / managers) were engaged in the review process so that any needs and considerations specific to the districts or locations would be taken into consideration before a public payphone was excluded from USO.

41. Mr CHAN Chun-ying queried why the kiosk payphones that would be retained under USO appeared to be concentrated in densely-populated areas (e.g. Yau Tsim Mong District) whereas very few of them were in remote areas (e.g. Islands District). PS(CCI) clarified that the review did not cover emergency helplines located in remote areas, which would be retained for use by the public for emergency purposes.

42. Mr SHIU Ka-fai noted that the fixed telecommunications services market in Hong Kong had been opened up for competition for years. He asked whether all public payphones were operated by a single telecommunications operator at present. PS(CCI) said that currently PCCW-HKT Telephone Limited and Hong Kong Telecommunications (HKT) Limited ("HKT") was the only operator required under its licence conditions to provide public payphone service under USO. Public payphones were mostly operated by HKT¹ but the cost of meeting USO was shared by all local fixed and mobile service operators. Members noted that the telecommunications industry shared USC of around \$18 million in 2017 for providing public payphones under USO.

43. Mr CHAN Chun-ying asked whether the level of USC was expected to go down after the removal of some of the public payphones, and if so, whether the operators might rebate the saved costs to consumers. PS(CCI) informed members that since the removal works of the payphones would be financed by USC, the level of USC might not drop until the relevant costs were fully covered by the saved operating costs. Even then, the drop in USC might not be noticeable to consumers, while the saving would be shared among all fixed and mobile operators. Besides, it would be the operators' commercial decision whether to pass on such saving to their customers and, if so, how.

¹ As at June 2019, some public payphones were operated by HGC which were not under USO. See: Office of the Communications Authority. (2019) *Register of Public Payphone in Hong Kong Region / Kowloon Region / Shenzhen Bay Port Hong Kong Port Area*. Available from: https://www.ofca.gov.hk/en/data_statistics/data_statistics/public_payphone/index.html [Accessed December 2019].

44. Mr SHIU Ka-fai queried whether the number of public payphones would further be reduced in the future. PS(CCI) pointed out that it was a global trend for reducing the number of public payphones amid a climbing mobile subscriber penetration rate. A local review conducted by the Communications Authority also revealed that stakeholders generally agreed to the removal of under-utilized public payphones. PS(CCI) advised that in reviewing the future need for public payphones, the usage rate of the retained payphones would be measured. The Administration would also take into account public response to the suggested new telephone kiosk functions (e.g. providing free battery-charging service, web browsing facilities, traffic and tourist information, etc.) as proposed in a revitalization proposal submitted by the universal service provider.

Coverage of Wi-Fi hotspots

45. Mr Alvin YEUNG queried about the quality of the free Wi-Fi service provided by the Administration under the "Wi-Fi Connected City" programme. AGCIO(ID) informed members that after the service enhancement works conducted in 2018, the signage locations, technical standard and the infrastructure of the public Wi-Fi service at government venues had improved. The connection speed was substantially increased from an average of 3 to 4Mbps to over 20Mbps. Besides, a majority of respondents were satisfied with the quality of the Wi-Fi service under the programme, according to a recent independent user experience survey.

46. The Deputy Chairman queried whether free Wi-Fi hotspots could be provided with higher connection speed and in larger quantity. AGCIO(ID) responded that the Administration was regularly monitoring the service usage at existing venues and would conduct user experience surveys. As the earlier replacement of copper wires by fibre links had made it convenient to increase the data transmission speed of Wi-Fi hotspots, the Administration would consider increasing the Wi-Fi connection speed subject to service demand. AGCIO(ID) added that the Administration had been communicating with various government departments on the installation of more Wi-Fi hotspots at suitable venues, such as sitting-out areas and small parks in various districts and public rental housing estates.

47. Mr YIU Si-wing queried whether free Wi-Fi service would be provided uninterrupted when the telephone kiosks which housed Wi-Fi hotspots were removed. Ms Claudia MO was particularly concerned about the situation in Kowloon City District where nearly 70% of kiosk payphones would be excluded from USO.

48. AGCIO(ID) advised that the Government and telecommunications operators had been installing new Wi-Fi hotspots at suitable premises under the

"Wi-Fi Connected City" programme as an ongoing effort. Its implementation progress would not be affected by the removal of public telephone kiosks. For example, in Kowloon City District, about 730 new locations would be added to the existing pool of over 3 500 Wi-Fi hotspots under the programme in 2019. Some merits of the Wi-Fi service at government venues over the service offered by telecommunications operators at telephone kiosks included its higher connection speed and the absence of a connection time limit on users. The Administration was confident that suitably distributed free Wi-Fi service would be maintained despite the removal of the telephone kiosks concerned.

49. Mr HUI Chi-fung noted that 394 free Wi-Fi hotspots would be taken out of service when their host kiosk payphones were removed from USO. Mr HUI asked whether it was technically feasible for all these Wi-Fi hotspots to provide service in situ after the removal of the kiosks, say, by relocating the Wi-Fi transmitters in question underground or onto a post. AGCIO(ID) said that in deciding whether to add new Wi-Fi hotspots due to the removal of the telephone kiosks concerned, the Administration would take into consideration the availability of other Wi-Fi hotspots in the vicinity. The Administration would also consider setting up new Wi-Fi hotspots at suitable government venues and public facilities nearby (e.g. smart lampposts or sheltered bus stops). Mr HUI said that these methods could not directly address the problem of discontinued free public Wi-Fi service at these 394 hotspots. He criticized the Administration for being bureaucratic in handling the problem, and dismissed those suggested ways of maintaining the service in situ, which were technically feasible.

Proposal to revitalize public telephone kiosks

50. Mr Alvin YEUNG noted that revitalization of public telephone kiosks involved amending the terms of the current block licence for public telephone kiosks issued by the Lands Department ("LandsD"), and the operators might need to consult various government departments or public bodies, including the District Council, before their proposals were approved. Mr YEUNG asked whether the Administration would provide a one-stop service to facilitate the revitalization of public telephone kiosks by operators. PS(CCI) advised that OFCA would play the role of a coordinator and follow up those proposals with the relevant policy bureaux and departments. The Chairman commented that amending the block licence for public telephone kiosks issued by LandsD was the crux of the issue, and hoped that the coordination by OFCA would effectively facilitate the implementation of the revitalization plan.

51. The Chairman said that the pilot run for the revitalization of telephone kiosks should be implemented as soon as possible in order to obtain public feedback, and the Administration should engage the operator to further discuss the detailed operational plan.

52. Director-General of Communications, OFCA pointed out that other than amendments to the block licence for public telephone kiosks issued by LandsD, all other relevant departments, namely the Transport Department, the Planning Department and the Highways Department, had not expressed major concerns on the revitalization plan so far. Subject to LandsD's feedbacks on the revitalization plan, the pilot run of multi-functional telephone kiosks would first be implemented in Central, Causeway Bay, Tsim Sha Tsui and Shatin. PS(CCI) added that the Administration shared a common goal with Panel members in the revitalization plan and noted members' wish to expedite its implementation.

53. The Deputy Chairman was concerned about the functions of the proposed revitalized public telephone kiosks and the schedule of their mass installation. PS(CCI) said that the expectations from the public on the multi-functional telephone kiosks (e.g. providing free battery-charging service, web browsing facilities, traffic and tourist information, etc.) were noted and being followed up with relevant policy bureaux and departments, including LandsD. As regards the schedule of mass installation, PS(CCI) was of the view that public feedback on the pilot run ought to be obtained first.

54. The Deputy Chairman asked whether the Administration would support all revitalization proposals put forward by the operator. PS(CCI) reflected that revitalized telephone kiosks might possibly take up more street space than the existing kiosks. The Administration might need to consider whether such a proposal would obstruct pedestrians. PS(CCI) stressed that in considering the proposals, the Administration would aim at maximizing convenience that the revitalized telephone kiosks could bring to the public.

55. The Deputy Chairman noted that small cell base stations might be installed at the retained public telephone kiosks to facilitate the provision of the fifth generation mobile services. She queried whether the Administration could reveal a detailed installation plan about those base stations. PS(CCI) advised that the Administration had been actively facilitating the process.

56. Mr CHAN Chun-ying queried who would finance the telephone kiosk revitalization exercise. Mr YIU Si-wing asked whether public payphones under USO could be allowed to generate income, for instance, by posting advertisements or providing other paid services, in order to avoid an operational deficit. PS(CCI) said that as the pilot run for the revitalization proposals was yet to be implemented, their financial implications, if any, on public payphones under USO were uncertain at this stage. If income could be generated from the payphones, the Administration would explore ways to make use of such income to fund USC.

V. Any other business

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

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