

**立法會**  
***Legislative Council***

LC Paper No. CB(1)1505 /99-00  
(These minutes have been  
seen by the Administration)

Ref : CB1/PL/ITB/1

**Legislative Council**  
**Panel on Information Technology and Broadcasting**  
**Minutes of meeting**  
**held on Monday, 10 April 2000, at 2:30 pm**  
**in Conference Room A of the Legislative Council Building**

**Members present** : Hon MA Fung-kwok (Chairman)  
Hon Kenneth TING Woo-shou, JP  
Ir Dr Hon Raymond HO Chung-tai, JP  
Hon Eric LI Ka-cheung, JP  
Hon Fred LI Wah-ming, JP  
Hon CHAN Kwok-keung  
Hon Howard YOUNG, JP  
Hon YEUNG Yiu-chung  
Hon Emily LAU Wai-hing, JP  
Hon CHOY So-yuk  
Hon Timothy FOK Tsun-ting, SBS, JP  
Hon LAW Chi-kwong, JP

**Members absent** : Hon SIN Chung-kai (Deputy Chairman)  
Hon David CHU Yu-lin  
Prof Hon NG Ching-fai  
Hon James TO Kun-sun

**Public officers attending** : For Item III

Ms Eva CHENG  
Acting Secretary for Information  
Technology and Broadcasting

Mr M H AU  
Acting Director-General, Office of the  
Telecommunications Authority

For Item IV

Mr Esmond LEE  
Acting Commissioner for Television and  
Entertainment Licensing

Miss Adeline WONG  
Principal Assistant Secretary for Information  
Technology & Broadcasting (B)

**Clerk in attendance** : Miss Polly YEUNG  
Chief Assistant Secretary (1)3

**Staff in attendance** : Matthew LOO  
Senior Assistant Secretary (1)8

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Action

**I. Confirmation of minutes of meeting and matters arising**  
(LC Paper Nos. CB(1)1296/99-00 and 1293/99-00(01))

The minutes of the meeting held on 13 March 2000 were confirmed.

2. Members noted the Panel's list of follow-up actions and that the Clerk would follow up with the Administration on the outstanding replies.

Clerk

## **II. Date and items of discussion for next meeting**

3. Members agreed to discuss the following items at the next regular meeting of the Panel to be held on 8 May 2000 at 2:30 pm:

- (a) Progress of the Cyberport project
- (b) Review of the Control of Obscene and Indecent Articles Ordinance (Subject to the Administration's readiness)

## **III. Third generation mobile phone** (LC Paper No. CB(1)1293/99-00(02))

### Briefing by the Administration

4. With the aid of power-point presentation, the Acting Director-General, Office of the Telecommunications Authority (DG, OFTA(Atg)) briefed members on the proposed licensing framework for third-generation (3G) mobile services as set out in the industry consultation paper issued on 21 March 2000. On operator selection, the Administration proposed to allocate the spectrum for the 3G services by way of evaluation of the merits of applications instead of by spectrum auctioning. The closing date for submission of comments by the industry and interested parties was 22 May 2000. The Telecommunication Authority (TA) intended to finalise the licensing framework for the 3G services with a view to inviting applications for licences within 2000. The 3G services were expected to be brought into commercial operation in 2001.

### Licensing options

5. Mr Kenneth TING referred to the four licensing options set out in paragraph 12 of the Administration's paper and enquired why different width of spectrum would be allocated to existing operators and new entrants in Options 2 and 4. In reply, DG, OFTA(Atg) advised that the OFTA Focus Group had examined the spectrum requirements for the 3G services and considered that less spectrum would be required for incumbent second-generation (2G) operators as they could upgrade their systems and use them to provide the 3G services. DG, OFTA(Atg) also confirmed that the spectrum allocated to each operator should be paired.

6. Miss Emily LAU enquired which licensing options would be in the best interest of consumers. The Acting Secretary for Information Technology and Broadcasting (SITB(Atg)) and DG, OFTA(Atg) advised that the number of 3G licences to be issued would range from four to six under the proposed licensing options and this would be conducive to market competition. Nevertheless, they pointed out that the Administration did not have any pre-conceived idea on which was the preferred option for consumers as other factors such as consumers' preference for the types of services and technical constraints of existing operators should also be taken into account. The Administration would consider the views from the industry and interested parties and strike a balance in making its decision. SITB(Atg) added that as the 3G technology was relatively new and still evolving, no international or widely accepted licensing framework had been established at this stage.

7. The Chairman sought the Administration's further explanation on why spectrum auctioning was not preferred in the licensing of the 3G services. In response, SITB(Atg) advised that spectrum auctioning would increase the operating costs for the 3G services and such costs would eventually be transferred by the operators to consumers. For example, in the United Kingdom where the 3G spectrum was allocated by auction, it had been estimated that on average, each subscriber had to pay HK\$70 a month solely for the spectrum fees. SITB(Atg) also pointed out after the pre-qualification exercise, the bidding price would become the sole selection criterion and companies that might provide innovative and advanced services might not ultimately succeed in getting a licence. She commented that allocation by auction would mainly benefit large companies and might not be most appropriate for encouraging the development of Hong Kong into a world-wide telecommunications hub. As regards the licensing fees under the proposed licensing options, members noted that such fee would be set on a cost-recovery basis.

#### Operator selection arrangement

8. Most members in general supported the selection of 3G licensees by evaluation based on merit. On the criteria adopted in the evaluation process, SITB(Atg) advised that TA would issue clear guidance notes setting out the selection criteria to facilitate interested parties in preparing their proposals. Consideration would be given to factors such as company structure and financial capability of the applicant, the proposed services, technical requirements and previous experience of the applicant. She confirmed that this selection approach had been in use for many years, such as in the selection of the fixed telecommunication network services operators in 1993 and the Personal Communications Services (PCS) operators in 1995.

9. In response to Miss CHOY So-yuk's concern about service charges, DG, OFTA(Atg) advised that at present, there were provisions in the licences for PCS operators requiring them not to adjust their charges above their pledged levels in the initial three years. However, due to keen market competition, the fees charged by the PCS operators were even lower than those originally proposed. Nevertheless, the Administration would consider including the level of charges as one of the criteria in evaluating applications for the 3G services, as well as stipulating in the 3G licences provisions on charges similar to those in PCS licences.

10. To enhance transparency and fairness, Miss CHOY So-yuk suggested that an independent committee should be set up to vet the applications for the 3G licences. In response, SITB(Atg) explained that the applications might contain commercial sensitive information and it was inappropriate for outside parties to participate in the evaluation process. She assured members that the existing approach in considering the applications by relevant Government officials had been working very well. Moreover, representatives from the Independent Commission Against Corruption would also be present to observe the evaluation process. SITB(Atg) confirmed that all unsuccessful applicants would be informed in writing the reasons why their applications had failed as this would be one of the statutory requirements on TA upon enactment of the Telecommunication (Amendment) Bill 1999.

#### Regulatory issues

11. Mr Howard YOUNG supported the proposal that customers of the new 3G networks could temporarily roam into the 2G networks in areas where the coverage of the 3G networks had yet to be provided. He was however concerned about the calculation of fair compensation payable by operators of the 3G networks to 2G operators for the use of the latter's network resources. In response, DG, OFTA(Atg) informed members that initially, the Administration was inclined to adopt a cost-based approach to take into consideration the overall costs in building, operating and maintaining the networks. Mr LAW Chi-kwong considered that the capital cost of the new 3G service providers should also be borne in mind when working out the charges payable.

### Radio spectrum allocation

12. In response to Miss Emily LAU's enquiry about the penetration rate of 3G services, DG, OFTA(Atg) advised that the penetration rate for the existing mobile phone services was 55% and ultimately the overall penetration for mobile services might reach penetration rates in countries such as Finland (in the region of 70%) depending on the types of services developed in the future. At this stage, it was difficult for the Administration to forecast the market share of the 2G services to be replaced by the 3G services. SITB(Atg) added that as the 3G services were still in the course of rapid developments, its market trend could not yet be established.

13. In view of the limited spectrum allocated to Hong Kong by the International Telecommunication Union (ITU) and hence, a limited number of licences, the Chairman enquired whether a localised 3G service could be specifically developed for Hong Kong and the Mainland. DG, OFTA(Atg) expressed reservations on the feasibility of the suggestion as the worldwide trend was to develop common standards among different countries to facilitate compatibility, instead of to adopt territory-specific standards. He also pointed out that as in the 2G services, market competition was very important in bringing about quality services in affordable prices. DG, OFTA(Atg) also advised that ITU was fully aware of the need for more spectrum capacity for 3G services and would discuss the feasibility of allocating some spectrum being used in the 2G services to the 3G services.

### Way forward

Admin

14. At members' request, SITB(Atg) agreed to report on the outcome of the consultation exercise at the meeting of the Panel on 12 June 2000. She nevertheless cautioned that as the consultation period would only end in May 2000 and in the light of past experience, submissions were usually received towards the expiry of the deadline, the Administration might only be able to provide some preliminary information, instead of a detailed analysis.

#### **IV. Update on Film Development Fund** (LC Paper No. CB(1)1293/99-00(03))

15. The Chairman declared his interest as a member of the Projects Vetting Committee (PVC) set up under the Film Services Advisory Committee (FSAC).

16. The Acting Commissioner for Television and Entertainment Licensing (C for T&EL(Atg)) briefed members on the latest position of the funding allocation under the Film Development Fund (the Fund). Since the setting up of PVC in

January 1999, 60 applications had been received during the four application quarters of 1999, of which 10 were approved. Altogether, about \$16.4 million were allocated to these 10 projects. The remaining 50 applications had not been approved because they either fell outside the ambit of the Fund or failed to meet the vetting criteria. The Administration would continue to keep in close contact with the film industry, so as to deepen their understanding of the ambit and vetting criteria of the Fund, and encourage them to draw up further project proposals which would foster the development of Hong Kong's film industry.

17. Mr YEUNG Yiu-chung expressed concern about the monitoring of the approved projects and enquired on measures taken in this regard. In response, C for T&EL(Atg) advised that the Television and Entertainment Licensing Authority (TELA) had established a mechanism to monitor the implementation progress of the approved projects. Each organisation receiving funding support from the Fund was required to submit progress reports to the Film Services Office (FSO) set up under TELA and a final report after completion of the project for the scrutiny of PVC. During the implementation period, FSO would also closely monitor the progress of the projects. The staff of FSO would also conduct inspections where appropriate to ensure that the projects were carried out as scheduled.

18. Miss Emily LAU enquired about the indicators, if any, to gauge the effectiveness of the approved projects in fostering the development of Hong Kong's film industry. In reply, C for T&EL (Atg) advised that all the ten approved projects had been targeted at the prevalent problems faced by the film industry in Hong Kong. These included the "Assistance Scheme for Script Writing" to encourage the production of quality scripts and the "Hong Kong Film Industry Information and Copyright Database" to help the industry, law enforcement agencies and the public to verify copyright information. C for T&EL (Atg) also reported that based on feedback from the film industry, more people were willing to invest in film-making and there was a shortage of talents such as film art-work professionals in the industry. To cater for the industry's demand, training programmes for film art-work professionals, stuntmen and scriptwriters were funded under the Fund.

19. Considering that 50 applications for the Fund were rejected, Mr YEUNG Yiu-chung and Miss CHOY So-yuk enquired whether there was a need to relax the vetting criteria. In reply, C for T&EL(Atg) advised that the Administration was prepared to review the vetting criteria, if and when necessary, and having regard to the feedback from the industry. Nevertheless, he pointed out that most of the 50 applications had not approved because they included projects such as film-making which would benefit only individual private companies instead of the film industry as a whole. At this stage, he did not see a need to revise the vetting criteria.

20. Some members queried the justification of approving some \$3.5 million for organising the "Hong Kong-Asia Film Financing Forum". In response, C for T&EL advised that the Forum aimed at creating opportunities for joint investment in and production of films by Hong Kong and Asian countries, and would promote Hong Kong as a film production and film financing centre in Asia. C for T&EL added that although the Forum was for a few days, considerable preparatory work was required, which included the employment of an overseas expert as the director for the Forum. Venues would also need to be booked for the Forum. In this connection, Miss Emily LAU considered that the approval of funds for individual projects should be subject to vigorous scrutiny. The Administration took note of the members' view.

21. Mr Howard YOUNG opined that the promotion of Hong Kong's film industry overseas would help to promote tourism in Hong Kong. C for T&EL(Atg) shared Mr YOUNG's views and advised that FSO was responsible for promoting Hong Kong films overseas and promoting Hong Kong as a place for location shooting. In this regard, FSO had joined the Association of Film Commissioners International (AFCI). FSO and the Hong Kong Tourist Association (HKTA) were awarded first place as the "Most Informative Booth" at the AFCI 15<sup>th</sup> Annual Locations 2000 Global Expo at the Los Angeles Convention Centre held between 25 and 27 February 2000. FSO and HKTA had also visited three major film production companies in Los Angeles and noted that one of them had plans for location shooting in Hong Kong.

**V. Any other business**

22. There being no other business, the meeting ended at 4:10 pm.

Legislative Council Secretariat

4 May 2000