# 立法會
# *Legislative Council*

Ref : CB1/PL/ITB/1

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

## Minutes of special meeting
## held on Monday, 28 May 2001, at 2:30 pm
## in Conference Room A of the Legislative Council Building


**Members present** : Hon SIN Chung-kai (Chairman)
Hon Howard YOUNG, JP (Deputy Chairman)
Hon Kenneth TING Woo-shou, JP
Hon YEUNG Yiu-chung
Hon Emily LAU Wai-hing, JP
Hon Timothy FOK Tsun-ting, SBS, JP


**Members absent** : Hon David CHU Yu-lin
Hon Eric LI Ka-cheung, JP
Hon CHAN Kwok-keung
Dr Hon Philip WONG Yu-hong
Hon LAW Chi-kwong, JP


**Public officers attending** : For Items I, II and III

Mrs Carrie YAU
Secretary for Information Technology and Broadcasting

For Items I and II

Mr Alan SIU
Deputy Secretary for Information Technology and Broadcasting (2)

Mr Y C CHENG
Director of Information Technology Services
   (Acting)

For Item I

Mr MA Siu-leung
Principal Education Officer (Information Systems),
   Education Department

For Item II

Ms Joyce TAM
Principal Assistant Secretary for Information
   Technology and Broadcasting (C)

For Item III

Mr A S K WONG
Director-General of Telecommunications

Mr M H AU
Senior Assistant Director of Telecommunications

Ms Gracie FOO
Principal Assistant Secretary for Information
   Technology and Broadcasting (E)

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| **Clerk in attendance** | : | Miss Polly YEUNG<br>Chief Assistant Secretary (1)3 |
| **Staff in attendance** | : | Ms Anita SIT<br>Senior Assistant Secretary (1)8 |

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**I      2001 Digital 21 Strategy**
   (LC paper No. CB(1)1332/00-01(01))

    The Deputy Secretary for Information Technology and Broadcasting (2) (DS/ITB(2)) gave a powerpoint presentation on the 2001 "Digital 21" Strategy. (The presentation notes were issued vide LC paper No. CB(1)1376/00-01(01) after the meeting.)

2.      Members noted that the focus of the "Digital 21" Strategy promulgated in November 1998 was to enhance and promote local information infrastructure and services while that of the 2001 "Digital 21" Strategy promulgated in May 2001 was to strive to position Hong Kong as a leading e-business community and digital city in the globally connected world. Mr YEUNG Yiu-chung enquired about the Administration's vision of the future "Digital 21" Strategy in three years' time.

3.      In response, the Secretary for Information Technology and Broadcasting (SITB) advised that as a lot of changes were expected to take place in information technology (IT) field in the next few years, it was envisaged that e-business would flourish in Hong Kong and new services such as the Third Generation (3G) mobile telecommunications services would become popular then. To capitalize on these developments, the local IT sector would likely develop application and content software products targeted at both the local and overseas markets. In striving to position Hong Kong as a leading e-business community and digital city, the Administration would review the "Digital 21" Strategy on a continuous basis in response to the rapidly changing IT landscape.

Awareness of the Strategy

4.      Miss Emily LAU referred to a recent survey among local political and business leaders conducted by the University of Hong Kong in which the respondents were asked, inter alia, whether they were aware of the "Digital 21" Strategy. The survey results indicated that few of these leaders were aware of the Strategy. In this connection, she enquired about the Administration's assessment of the general awareness of the Strategy in the community and the measures to promote such awareness.

5.      In reply, SITB advised that the Administration had distributed booklets on the "Digital 21" Strategy to local trade associations, universities, representative organizations of the IT sector, and the Overseas Economic and Trade Offices etc. Promotion of the Strategy had been included in the agenda of Government's IT roadshows overseas and the Information Technology and Broadcasting Bureau (ITBB) had introduced the Strategy to its overseas counterparts through the established exchange network. Based on her own contacts, she gathered that most consuls in Hong Kong were aware of the Strategy. She assured members that ITBB would further examine with the Information Services Department and Invest Hong Kong to further promote the Strategy in the local and overseas communities.

Cyberport

6.      On the Cyberport project, Mr Howard YOUNG said that some small and medium sized IT companies had expressed their concern that the target of the

Cyberport was large IT companies with at least 100 staff members, and therefore the chance of small and medium sized IT companies to get admitted to the Cyberport as tenants would be slim.

7.      In response, SITB advised that the Cyberport welcomed both large and small companies and applications for admission to the Cyberport would be assessed against a set of predetermined selection criteria.   The Administration recognized that large and small IT companies would complement one another within the Cyberport.   As small companies tended to be more innovative and dynamic, they would provide the impetus for innovations in the Cyberport community.   In fact, small IT companies could take advantage of a central pool of supporting administrative and professional services to be provided in the Cyberport to reduce their start-up and overhead costs.   In reply to Mr YOUNG's further enquiry, SITB said that as the Cyberport was in the course of receiving applications for admission, information on the types of companies admitted as tenants would only be available at a later stage.

E-Government

8.      Mr Kenneth TING sought elaboration on the target of increasing the percentage of public services with the electronic option from the current 65% to 90% by end 2003.   SITB explained that the target had been drawn up for those services which were amenable to the electronic mode of delivery. Services that could not be delivered online were excluded.   The level of services with the e-option available was measured by the percentage of the total number of clients using public services with e-option available over the total number of clients using public services which were amenable to the electronic mode of delivery.   According to a recent survey conducted by ITBB, among the clients of public services which were amenable to the electronic mode of delivery, about 65% of them were using services which already had the e-option available.   The target was to increase this percentage to 90% by end 2003.

9.      In reply to Mr Kenneth TING's enquiry about the number of clients of public services taking the e-option, SITB advised that as far as the Electronic Service Delivery (ESD) Scheme was concerned, there were at present about 50 000 visits, 500 000 hits and 2 000 transactions recorded each day.

Developing the local workforce for the information economy

10.      Miss Emily LAU raised concern that the shortage of IT manpower might hinder the implementation of the "Digital 21" Strategy.   She pointed out that on the one hand, there was insufficient supply of locally-trained IT personnel and on the other hand, overseas IT talents were generally not keen to pursue their career in Hong Kong.

11.     On training opportunities, <u>SITB</u> advised that over the past year or so, local tertiary institutions had responded positively to the strong demand for IT manpower in the market by actively reviewing their curricula and making necessary resource redeployment to strengthen their IT-related programmes. As to Hong Kong's attractiveness for overseas IT talents, <u>SITB</u> pointed out that the Admission of Mainland Professionals Scheme would be implemented in June 2001.  As far as she understood, quite a number of Mainland students studying IT in Hong Kong were interested in pursuing their career in Hong Kong after graduation.  She remarked that although there was strong competition for IT talents worldwide, being a cosmopolitan city with a strong presence of IT multi-national corporations, Hong Kong had its competitive edges in attracting IT talents.

12.     <u>Mr YEUNG Yiu-chung</u> sought elaboration on the initiative of attracting world-renowned overseas training institutions to provide accredited IT training courses in Hong Kong.  In response, <u>SITB</u> advised that the provision of IT training should be market driven and there were benchmarking qualifications that were recognized internationally.  It would be up to various publicly-funded institutions as well as private institutions to decide which types of IT training courses they would offer to meet the market demand.  The Administration would play a facilitating and co-ordinating role where appropriate.  In this connection, she also informed members that the Administration was in the course of discussing with the prospective tenants and other interested parties in developing suitable and useful academic programmes to train up talents at the Cyberport.

13.     <u>Mr YEUNG</u> further enquired whether the Government had any plan to provide subsidies for IT training courses run by private institutions.  <u>SITB</u> advised that there were views expressed in the Task Force on IT Manpower that if financial subsidies were to be provided, such subsidies should be provided to attendees of IT training courses instead of to the institutions concerned.  ITBB would, in cooperation with the Education and Manpower Bureau, launch a pilot scheme to sponsor some secondary school leavers to take practical IT training courses.  The main feature of the pilot scheme was that the Government would reimburse part of the course and examination fees if the attendees passed the relevant examination(s) and further reimbursement would be made if the attendees could find a relevant job.  It was envisaged that with these incentives, more young people would take up practical IT training courses and actively seek employment after completion of the courses. <u>Mr YEUNG Yiu-chung</u> expressed support for the pilot scheme in principle, as it would help to address the IT manpower shortage in Hong Kong and help foster the development of the local IT training industry.

14.     <u>SITB</u> also informed members that the Administration had planned to launch a few other pilot IT training programmes for secondary students this summer.  Based on the experience gained, the Administration would then be

in a better position to formulate the longer-term approach for IT training for young people in Hong Kong.

15.     Referring to the various initiatives to develop the local workforce for the information economy, Miss Emily LAU expressed concern that the IT training programmes to be provided would be no more than expedient measures to meet the shortage of IT manpower in the short term.  She considered that apart from technical skills, local young people should also be equipped with the intellectual capabilities to acquire and apply new knowledge to meet the challenges of the rapidly changing information economy.

16.     In response, SITB affirmed the importance of providing quality education for local young people to equip them for the information economy.  On the underlying philosophy of the IT education in schools, the Principal Education Officer (Information System), Education Department, (PEO/ED) advised that the strategy to develop IT in education in schools was two-pronged - applying IT to improve teaching and learning effectiveness and incorporating IT into the formal curriculum as specific subjects to teach students the fundamentals of IT and technical skills such as computer programming etc.  He also informed members that the Education Department was conducting a review of the curricula of the IT-related subjects taught in schools.

17.     On the assimilation of e-culture in schools, PEO/ED advised that currently, except for a few schools awaiting refurbishment or redevelopment, all public sector schools had been provided with computer facilities with Internet connection.  Among these schools, more than 90% were making use of broadband or designated cables for access to the Internet.  On average, about 60% of students in public sector schools had personal computers at home and the percentage was about 80% among secondary students of higher forms.  The Administration had taken the following measures to promote the use of IT among students-

(a) encouraging schools to make available computer facilities in schools to students outside school hours;

(b) encouraging schools to enlist the participation of parents in the IT training courses and other IT related activities run by schools; and

(c) organizing IT training programmes for teachers and students in the coming summer in co-operation with IT-related commercial companies.

Competency in English

18.     Miss Emily LAU expressed concern that the English language proficiency of local young people had declined in general.   As English was an

international language for the globally connected world, she said that the decline might be an obstacle to the development of e-culture and Internet penetration in the community. She enquired whether the 2001 "Digital 21" Strategy had included any measures to address this problem. Mr Howard YOUNG shared her concern and pointed out that one of the major factors for the success of India in software development was the wide use of the English Language in the Indian community.

19. In response, SITB pointed out that the Administration was fully aware of the need to further enhance local students' competency in English in order to strengthen Hong Kong's competitive edge in the globally connected world. SITB further said that while there might not be any causal relationship between English standard and Internet penetration of a community, she agreed that Hong Kong should be alert to the competition from other places and strive to improve and enhance the English competency of its workforce. She considered that apart from the education sector, other sectors of the community had a part to play in this regard. In this connection, the Administration was exploring with local universities and multi-national companies on the possibility of providing more overseas placement opportunities for local students. On another front, local universities had admitted more overseas students and this was conducive to broadening local students' perspective in the course of their university education.

Quality assurance practices

20. Mr Howard YOUNG enquired about the quality assurance practices and the situation of accreditation under relevant standards such as ISO (International Standard Organization) and CMM (Capability Maturity Model) in the local software industry. He pointed out that the achievement of the local software companies in quality assurance had important implications on their eligibility for bidding international IT contracts and for making investment in the Mainland. SITB undertook to provide relevant information after the meeting.

> (*Post-meeting note*: The information provided by the Administration has been circulated to members vide LC Paper No. CB(1)1634/00-01 dated 26 June 2001.)

21. In this connection, the Director of Information Technology Services (Acting) advised that both the ISO and CMM were quality assurance standards adopted internationally. The Information Technology Services Department attached great importance to quality management practices and had obtained accreditation under ISO. He understood that the CMM standards were being promoted by the Hong Kong Productivity Council which also provided services to help local companies to obtain ISO and CMM qualifications. He added that there were resource implications for both public and private organizations

to obtain accreditation under these international quality assurance standards.

22.     The Chairman referred to the information provided in the booklet on the 2001 "Digital 21" Strategy that Hong Kong had achieved external connectivity of 44.1 Gbps which was among the highest in the Asia-Pacific Region and would increase by about ten-fold in the next two to three years.   He enquired about the number of licences issued to operators of Cable-based External Fixed Telecommunications Network Services and the progress of the cable laying work of these licensed operators.   In response, SITB agreed to provide relevant information after the meeting.

> (*Post-meeting note*: Subsequent to the meeting, the Administration has advised that as at May 2001, there were 18 successful applicants for cable-based operation (4 for overland cables, 13 for submarine cables and 1 for both).   Of them, 5 (2 for overland cables and 3 for submarine cables) have already obtained an external FTNS licence for operation of the cables.   One of the two overland cable systems has already been in operation since December 2000 and the other one is expected to be operational later in 2001.   One of the three submarine cable systems has been in operation since February 2001.   The other two are expected to be in operation in the latter half of 2001.)

**II      E-Government Strategy**
(LC Paper No. CB(1)1332/00-01(02))

23.     SITB took members through the information paper.   She highlighted that the E-government targets and flagship projects as outlined in the paper involved all the bureaux and departments and entailed changes in the modes of conduct of business within the Government and between the Government and citizens/the business sector/civil servants.   Risks, liability and accountability issues would arise in driving the E-government targets.   To effectively steer and monitor the overall implementation of the E-government strategy, the Administration proposed to set up a dedicated E-Government Coordination Office within ITBB to serve as the focal point to coordinate the E-government initiatives of bureaux and departments.

24.     SITB further advised that while ITBB planned to redeploy existing resources within ITBB to meet the supporting staffing requirement of the Co-ordination Office, it was considered necessary to create an E-Government Coordinator post at D3 level to head the office.   Referring to Annex F to the discussion paper which set out the revised duties of the DS/ITB responsible for IT and film development upon the creation of the Coordinator post, SITB remarked that currently, the DS/ITB was also responsible for overseeing the implementation of the E-government strategy.   With the expanded scope of the E-government initiatives and the ambitious timetable to deliver specific

targets, the duty portfolio of the incumbent had become unduly heavy. To meet the urgent operational requirements, the Administration considered it appropriate to create the E-Government Coordinator post on a supernumerary basis for six months starting from July 2001 under delegated authority. The Administration would further assess the resource requirements of ITBB and the Coordination Office in due course to ascertain the need for the post in the longer term.

25.    Mr Howard YOUNG recalled that on several occasions, LegCo Members had raised concern about the arrangement of creating directorate posts under delegated authority for six months and thereafter, proposing to retain the posts for a further period or even permanently at the same rank. Members were mainly concerned that the Administration might be inclined to use this approach to circumvent the requirement to fully justify the ranking of a post. He therefore queried why the Administration had not ascertained the need for the E-Government Coordinator post up to 2003-04 and put up relevant staffing proposal to the Establishment Subcommittee/Finance Committee.

26.    Miss Emily LAU remarked that LegCo Members had expressed strong reservation on the arrangement of creating supernumerary directorate posts under delegated authority as the arrangement would tend to create a fait accompli situation when the relevant proposal to extend the post was put to the Establishment Subcommittee/Finance Committee.

27.    In response, SITB said that the Administration would be mindful of the need to provide full justification if a proposal was to be made to extend the E-Government Coordinator post after the review. She further explained that due to the lead time required to work out the longer-term operational and staff deployment arrangements, it was not feasible to put up a staffing proposal for the E-Government Coordinator post within the current legislative session. On the other hand, it was considered necessary to create the post promptly to kick-start the E-Government strategy early.

28.    Referring to the E-government targets of other countries set out in Annex A to the discussion paper, Mr YEUNG Yiu-chung sought clarification on whether the E-government target being pursued by the Hong Kong SAR Government aimed at replacing the existing modes of service delivery with online services altogether or providing the electronic option for existing services. In response, SITB advised that when seeking approval of the Finance Committee in December 1998 for funds to implement the ESD Scheme, the Administration had undertaken to review the long-term direction of the Scheme in three years' time. At this stage, the target was to provide online services as an option for service delivery.

29.    On Mr YEUNG Yiu-chung's concern about the impact of E-government on those citizens who were not conversant with the use of IT and the assistance

to be provided to these citizens, DS/ITB(2) advised that IT education had already been incorporated into the formal education curriculum, and basic IT awareness courses had been organized for those who had less opportunities to use IT in their daily life under the "IT Hong Kong" campaign.   For those who did not possess personal computers, they could use computer facilities provided at district offices and public libraries which were installed for public use free of charge.   The objective of these initiatives was to enhance the capability of these citizens to exploit opportunities in the digital world to enrich their lives.

30.    Miss Emily LAU noted that a number of overseas countries had scheduled to accomplish their respective E-government targets by 2001 whilst the Hong Kong SAR Government aimed at achieving the aforesaid 90% online service target by end 2003.   She questioned whether Hong Kong was lagging behind in driving E-government.   In response, SITB advised that many overseas countries in fact had not been able to achieve their E-government targets as scheduled.   The Administration had drawn reference to overseas experience in working out the aforesaid 90% target, which the Administration considered both realistic and practicable.   As to how the E-government target for Hong Kong compared with that of overseas countries in terms of service scope and standard, SITB said that it was possible for Hong Kong to take up a leading position globally in driving E-government if the aforesaid 90% online service target was achieved on schedule.

31.    The Chairman remarked that in assessing the success of the E-government Strategy, the extent of utilization of online public services by the public and the business sector was no less important than the availability of the necessary infrastructure.   Miss Emily LAU urged the Administration to provide more incentives for the public and the business sector to use online public services.   In response, SITB said that the Administration would actively pursue electronic procurement of government supplies as a means to drive the adoption of the e-option by the business sector in their conduct of business with the Government.

**III     Regulation of acquisitions and mergers in the telecommunications market**
        (LC Paper No. CB(1)1332/00-01(02))

32.    The Senior Assistant Director of Telecommunications gave a powerpoint presentation on the subject.   (The presentation notes were tabled at the meeting and issued after the meeting vide LC Paper No. CB(1)1376/00-01(02).)

33.    Mr Howard YOUNG queried whether it would be more desirable to regulate acquisition and merger activities in the telecommunications market through the licensing regime instead of enacting legislation.   He pointed out

that from the viewpoint of consumers, the main concern was whether their interest would be adversely affected as a result of the domination of a telecommunications market by a licensee.   As there were already provisions in the existing Telecommunications Ordinance (Cap. 106) dealing with market domination and anti-competitive practices, he queried the necessity of introducing the proposed regulation.   He was concerned that enacting legislation to confer additional powers on the Telecommunications Authority (TA) to regulate business transactions in the telecommunications sector might result in over-regulation and discourage investment.

34.     In response, the Director-General of Telecommunications (DG/Tel) advised that the main policy concern was that acquisitions and mergers in the telecommunications market should not adversely affect the level of competition in the market.   While some existing licences contained provisions on the transfer of ownership or control in a licensee, the provisions varied in terms of the scope of TA's regulatory power over different types of activities affecting the ownership or control in a licensee.   There was no comprehensive requirement for the TA's consent to be obtained for changes to the ownership or control of a licensee unless transfer of the licence, or under some licences, transfer of the shares of the licensee, was involved.   Moreover, the existing licences did not generally contain provisions in relation to acquisition and merger activities taking place at the level of the holding company.   The proposed legislation sought to provide a transparent and efficient regulatory regime to govern merger and acquisition activities in the telecommunications sector.   The current plan was to apply the proposed Regulation only to carrier licensees (i.e. fixed and mobile network operators) initially, as for the time being, TA was not aware of any current market factors such as high barriers to entry which might cause concern in telecommunications markets involving non-carrier licensees.

35.     On the concern about the effect of the proposed legislation on investment in the local telecommunications market, DG/Tel advised that regulating acquisition and merger activities through licence conditions only might lack transparency and certainty as TA had the power to determine licence conditions.   The enactment of legislation would ensure transparency and certainty and the legislative process would provide an open forum for public discussion of the issues concerned.   The Administration therefore considered that the proposed legislation would encourage rather than discourage investment in the local telecommunications market.   DG/Tel added that to further ensure openness and transparency, TA would issue guidelines to set out how he would consider proposals for mergers and acquisitions and a draft set of guidelines had been published as an Annex to the relevant consultation paper published on 17 April 2001.

36.     Mr Kenneth TING enquired about the arrangements for existing licensees upon enactment of the proposed legislation and queried whether the

proposed Regulation would involve a change of goal post.   In response, DG/Tel confirmed that upon enactment of the proposed Regulation, the new requirements on acquisition and merger activities would apply across-the-board to all licensees irrespective of the existing licence conditions.   He explained that most of the existing carrier licences contained provisions governing the transfer of control or ownership of a licensee, but the scope and types of acquisition and merger activities that were subject to TA's regulation were not expressly stipulated.   As the proposed Regulation would not involve changes to the current regulatory objectives, its enactment would not constitute a change of goal post.

37.     Mr YEUNG Yiu-chung enquired whether the Administration had considered alternative approaches such as issuing additional licences to promote competition in the telecommunications market.   In reply, DG/Tel advised that while bringing in additional operators was an effective way of promoting competition, it might not be feasible to issue additional licences for various reasons such as limited radio frequency spectrum.

38.     Miss Emily LAU concurred with the need to promulgate the regulatory requirements in respect of acquisition and merger activities in an open and transparent manner.   In reply to her enquiry on how the proposed regulatory framework would compare with regulatory regimes overseas, DG/Tel advised that Australia, the United Kingdom, the United States and many European countries adopted the same principles for the regulation of acquisition and merger activities in their telecommunications markets and thus, overseas investors were familiar with these principles.

39.     Noting that according to the proposed Regulation, TA would take into account a number of factors apart from market share to decide whether an acquisition and merger transaction should be approved, Mr Howard YOUNG expressed concern that the proposed Regulation would confer too much discretion on TA.   Miss Emily LAU echoed Mr YOUNG's concern and questioned whether the draft guidelines would provide clear guidance for TA as well as licensees in this regard.

40.     In response, DG/Tel referred members to section 3 of the draft guidelines which set out the analytical framework and the major considerations for TA to consider proposals for acquisitions and mergers.   He assured members that TA would make his decision on the basis of very clear principles and in a very systematic manner as outlined in the flow chart attached to the draft guidelines.

41.     The Chairman opined that the Administration should conduct thorough consultation before finalizing its proposals.   He also asked the Administration to confirm in due course the status of the aforesaid guidelines in relation to the proposed legislation and whether TA's decisions on acquisitions and mergers

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would be subject to judicial review.   As the proposed legislation involved some controversial issues, <u>Miss Emily LAU</u> suggested and the Administration agreed to report to the Panel the results of the consultation before introducing the proposed legislation to the Legislative Council.

42.     There being no other business, the meeting ended at 4:30 pm.

<u>Legislative Council Secretariat</u>
26 July 2001