

**Opening Remarks by
Secretary for Commerce, Industry and Technology
at the Special Meeting of the Finance Committee
on 31 March 2004**

Mr Chairman

I would like to thank Members for the questions raised on the draft Estimates of the Commerce, Industry and Technology Bureau and its departments.

2. A “Vibrant Economy” is an important subject for the future development of Hong Kong. To facilitate our economic transformation, our tasks are to enhance our competitiveness and to fully leverage on what we have already achieved to provide further impetus to economic growth. In doing so, we can promote economic activities, encourage investment, maintain a business-friendly environment and increase job opportunities.

Information Technology (IT)

3. The Government is committed to promoting the development of IT in Hong Kong. After reviewing the Digital 21 Strategy published in 2001 and consulting the public, we have formulated an updated Digital 21 Strategy and published it on 4 March 2004. The updated Strategy, which maps out actions in eight main areas, aims at sustaining the momentum created in the last five years to make Hong Kong a leading digital city, as well as harnessing the benefits of IT for our community and Hong Kong’s position in the world.

4. To provide the right institution to lead, monitor and ensure the effective implementation of the new measures in the updated Strategy, we propose to merge the Information Technology Services Department with the Communications and Technology Branch of the Commerce, Industry and Technology Bureau and to create a Chief Information Officer post. This would put in place an integrated structure within the Government to drive the e-government programme, champion the development of new applications and services, provide support to the IT-related industry and promote IT adoption by the community. We will consult the relevant Panel and Committee of the Legislative Council on the merger proposal in due course.

E-government

5. With respect to e-government, we have met our earlier target to provide e-options for 90% of public services amenable to the electronic mode of service delivery by end 2003. Looking ahead, we will deepen our e-government programme and focus more on service quality and effectiveness, so as to improve the utilisation of e-services. Specifically, we will set out clear customer relationship management (CRM) policies and guidelines for e-services; identify appropriate services for introducing lower fees for e-services and other incentive measures; and rationalise different channels of service delivery. Through these measures, we aim to ensure that Government creates unique value-added services and advantages for using e-services, so as to encourage customers to switch to using e-services. At the same time, we will continue with our efforts to encourage “joined-up” Government and the re-engineering of Government processes through electronic means. This will not only make our services more customer-centric, but will also benefit Government through

increased operational efficiency and resource savings.

6. At the same time, we are reviewing our institutional arrangements to ensure that we have the necessary structure, resources and expertise to serve the community in the next wave of e-government.

Broadcasting

7. As for broadcasting, we are reviewing the broadcasting regulatory regime, which is aimed at facilitating media convergence and development of new media, encouraging innovation and investment, reducing unnecessary regulation as well as further improving the business environment. The review will also explore the feasibility and merits of merging the Broadcasting Authority and the Telecommunications Authority. We will consult public on the review findings within this year. In addition, our second consultation on digital terrestrial broadcasting ended on 5 March 2004. We will take full account of the views of the 26 respondents in formulating the implementation plan for digital terrestrial television.

Telecommunications

8. On the telecommunications side, we will continue to facilitate the development of the telecommunications industry and enhance Hong Kong's position as a telecommunications hub. In 2004/2005, our priority tasks will include reviewing the regulatory policy for Type II interconnection with a view to formulating an updated policy to facilitate competition and promote investment. We will also formulate the licensing arrangements of mobile

services upon expiry of existing licences for second generation mobile service, taking into account considerations like efficient use of spectrum and consumer service. On the subject of spamming, we will consult the industry and the public on appropriate measures to tackle this problem that could lessen the nuisance caused without stifling the normal development of electronic commerce.

Creative Industry

9. On film, we will continue to work closely with the local film industry, and assist the industry in making its operations more systematic and professional, so as to grasp the opportunities arising from the recovery of the local film industry and CEPA. On manpower training, we, together with the industry and the Hong Kong Institute of Vocational Education, will organise a three-year “Training Programme for Film Workers” in April 2004. The programme seeks to train 240 participants each year and the Film Development Fund has allocated \$1.2 million for the purchase of equipment required for the training programme.

10. The Film Development Fund, which was set up five years ago, will cease operation today. To continue our support for the development of the film industry, we will redeploy our resources to sponsor three specific types of activities from 2004/05 to 2006/07. These activities include the 2005 Hong Kong Film Awards Presentation Ceremony; training courses for film workers on the application of advanced digital technologies to create visual effects in film production; and exploring the feasibility of the industry’s proposed registration systems for film scripts and film titles and for box office records. We will continue to organise seminars on cross-media and cross-business development

in this financial year to promote the collaboration between film and other creative industries, such as computer games and toys, so as to explore new business opportunities.

11. Last year, the Working Group on Digital Entertainment under the Information Infrastructure Advisory Committee recommended a package of concrete measures to promote the development of the local digital entertainment industry. Based on this foundation, we are mapping out a comprehensive set of support measures. First of all, the Digital Media Centre (DMC) at the Cyberport was fully in operation two days ago. The DMC, equipped with state-of-the-art digital equipment, will provide much needed software, hardware and technical support services for the industry. On research and development, to shorten the development cycle of online games, we will sponsor the development of a standard 3D online game design model for use by the local industry. To meet the manpower needs of the online game industry, we are liaising with training institutions to organise courses, such as game producer and game network design courses. We will liaise closely with the industry and relevant organisations in implementing more measures to facilitate the development of the digital entertainment industry.

Cyberport

12. To promote creative industries in Hong Kong, we committed last year to set up a Wireless Development Centre and a Digital Media Centre at Cyberport to provide the industry with state-of-the-art hardware, software and technical support. I am very pleased to inform Members that the Hong Kong Wireless Development Centre was officially opened last December. Apart from providing wireless solutions developers with a neutral platform for testing

their products and services, the Centre will also organize a series of events to promote innovative technologies and applications.

13. Moreover, the Digital Media Centre will be opened on 29 March 2004. I believe that the Centre would greatly help promote the development of the digital media industry. The Cyberport and my Bureau will co-organize a large-scale seminar towards the end of April. Renowned animators and special effects experts from Hollywood and Hong Kong will be invited to share their experience with the local industry and academia, with a view to widening the exposure of local content creators and enhancing their technological capabilities.

Innovation and Technology

14. Following the signing of CEPA, the application of zero tariffs on goods and liberalisation of the service sectors have created favourable conditions for the development of high-value and high-tech activities in Hong Kong. In January 2004, the Government announced the establishment of a new Steering Committee on Innovation and Technology to coordinate the formulation and implementation of innovation and technology policy, and ensure greater synergy among different programmes in promoting priority technology areas where Hong Kong has strength. The Government is now identifying the potential technology focus areas, and intends to consult the industry, universities and research communities later this year.

15. Design is an integral part of our innovative initiative. It can add significant value to our business, and augment the competitiveness of our products and services. While we will keep on creating an environment

conductive to technological development and facilitating commercialization of technologies and industry development, we will further encourage product design activities in Hong Kong and enhance our design capabilities. To strengthen our support for promoting design and innovation, we plan to seek funding support of \$250 million from the Finance Committee of the Legislative Council within the current legislative session for launching the “DesignSmart” Initiative. The initiative will seek to strengthen existing infrastructure, provide training opportunities and funding support to projects which could build up our capability in design and branding. We are now consulting stakeholders about the content and implementation details of the initiative concerned. Through the “DesignSmart” initiative, we aim at promoting the industry towards the direction of high value-added manufacturing and with high intellectual property content, and integration of innovation and design to the product development chain and marketing process, thereby upgrading Hong Kong as a focal point of design excellence in the region.

Conclusion

16. All in all, in the new financial year, we shall continue to foster the development of creative industries, innovation and technology, information technology, telecommunications and broadcasting by implementing various initiatives. We are committed to improving the business environment and helping the various industries explore new business opportunities.

17. Mr Chairman, this concludes my opening remarks. If Members have any questions, my colleagues and I will be pleased to answer them.