Legislative Council
Panel on Information Technology and Broadcasting

Policy Initiatives of Communications and Technology Branch, Commerce, Industry and Technology Bureau

Introduction

The 2004 Policy Agenda just issued lists the Government's new and on-going initiatives over the next three and a half years.   Part I of this note elaborates on the initiatives affecting the Communications and Technology Branch of the Bureau in the 2004 Policy Agenda.   Part II of this note gives an account on the position reached on the relevant Main Tasks for 2003 which the Bureau published on our website in January 2003.

Part I : 2004 Policy Agenda

New Initiatives

Vibrant Economy

Promulgate in early 2004 an updated Digital 21 Strategy with the aim of sustaining the momentum in making Hong Kong a leading digital city.

We completed the public consultation exercise on the draft 2004 Digital 21 Strategy on 10 December 2003, and are evaluating the submissions received. We aim to promulgate in early 2004 an updated Strategy to sustain the momentum created in the last five years to make Hong Kong a leading digital city, and to continue to harness the benefits of information technology (IT) for business, the community and Hong Kong's position in the world.

Formulate an updated regulatory policy for Type II Interconnection to facilitate competition and promote investment in telecommunications.

After assessing the comments collected during the second round consultation which would end on 24 February 2004, we aim to promulgate an updated policy in 2004 that could further our policy objectives of promoting the telecommunications industry, encouraging investment in network as well as facilitating effective competition in the telecommunications market and enhancing consumer choice.

Review the licensing of mobile services upon the expiry of existing licences for second generation mobile services.

The existing licences for second generation mobile services will expire in 2005 and 2006.   An early decision on the future licensing arrangements can give greater regulatory certainty, thereby facilitating industry players to make their long term investment and business plans as well as to plan for any necessary transitional or migration arrangements.   An early decision will also allow the Government to prepare for any legislative amendments required.   The first round of consultation has ended in October 2003.   We will embark on a second round consultation in early 2004 with an aim to finalising the future licensing arrangements for mobile services by end 2004/early 2005.

Require existing terrestrial television broadcasters to start planning for migration to digital broadcasting with a view to starting digital broadcasting in 2006.

Encouraging the deployment of digital technology in terrestrial television broadcasting will maximize the utilization of frequency spectrum, a scarce public resource, to bring more benefits to the society.   Such benefits include enhanced television services to the public, the possibility of more competition in the television market, and stimulation of development of innovative multimedia applications.   The Government has completed the frequency planning and co-ordination for digital terrestrial television broadcasting, and is consulting the public on the framework for the migration from analogue to digital broadcasting and the licensing of new digital services.   Subject to the outcome of the public consultation, we plan to require existing terrestrial television broadcasters to start digital broadcasting in 2006 with a view to achieving territory-wide coverage by 2008.

Consult the public on proposed updating and rationalization of the broadcasting regulatory regime to facilitate convergence and digitization.

We aim to keep our regulatory framework an enabling tool facilitating the development of the broadcasting industry. Digitization and convergence of telecommunications, broadcasting and the Internet are gradually transforming conventional sector-based markets into a cross-sector multimedia market. Further to the introduction of a technology-neutral regulatory framework in 2000 to facilitate convergence, we need to take stock of the latest technological and market developments, and update the regulatory framework in light of new and anticipated developments. We aim at consulting the public on our proposals to update and rationalize the broadcasting regulatory regime in the first half of 2004.

Ongoing Initiatives

Effective Governance

Encouraging greater utilization of e-government services by engaging our customers and placing greater emphasis on the quality of services to be provided.

Under the 2001 Digital 21 Strategy, e-government was positioned as a key strategic initiative for Government to lead by example in the use of e-business, both in conducting internal business and delivering public services. The use of e-business not only allows Government to improve efficiency through technology exploitation and service improvement, but also drive the wider adoption of information technology in the business sector and the wider community.

The next stage of e-government will focus on service quality and cost-effectiveness. In particular, it should seek to bring value to customers as well as to the Government.

Specifically, we should, through obtaining a better understanding of our customers' needs, drive up utilization of our e-government services. In particular, we will consider introducing lower pricing for e-services, which generally involve fewer manual processes than the traditional channels. Other measures such as increasing user-friendliness, introducing service convenience and priority for e-services and implementing customer relationship management (CRM) features will also be examined. We will set out clear CRM policies and guidelines, introduce measures to obtain customer feedback and assist departments to target improvement of utilization of e-services. We will also focus on "joined up" initiatives across Government departments and the re-engineering of Government operations and processes through our e-government programme. Once a critical mass of e-service users has been created, there will be room for Government to consider rationalizing different channels of service delivery and scaling down the provision of less cost-effective channels, where necessary and justified.

Vibrant Economy

Promoting Science Park and Cyberport more aggressively overseas through Invest Hong Kong, Economic and Trade Offices, Hong Kong Trade Development Council (TDC) and specially commissioned agents.

We will continue to promote the Science Park and Cyberport aggressively overseas and in the Mainland in 2004. Apart from taking part in international trade fairs and joint promotion tours with Invest Hong Kong and TDC, promotion visits to target cities and companies in the USA, Korea, Japan, the Mainland and Taiwan will also be organized throughout 2004.

Continuing to provide loan guarantee for films under the Film Guarantee Fund.

We will continue to promote the Film Guarantee Fund (FGF) in 2004. We will encourage film companies whose projects have received loan guarantee from the FGF to share their experience with other film companies. We hope the FGF could encourage and assist the development of a film financing infrastructure in Hong Kong in the longer run.

Part II : Main Tasks for 2003

1. To find new economic drivers from information and communications technology sectors and create further flow of information-based business, information technology and related activities within and through Hong Kong.

Initiative

In view of the rapidly changing market landscape in telecommunications, the advent of new or improved technologies, and the fact that seven years have passed since the implementation of narrowband interconnection, we will conduct a public consultation on Type II interconnection. Our policy objective is to ensure that our interconnection regime continues to facilitate effective competition and at the same time promote investment incentives by providing the right "build" or "buy" signal for business decisions. The Telecommunications Authority will formulate a plan on the consultative exercise.

Progress Made/Present Position

We launched the first round of consultation in May 2003 to seek submissions from the industry and other parties on whether the current Type II interconnection arrangements should continue and if so in what form. In light of the feedback to the first round consultation and our analysis, we proposed a framework for withdrawal of Type II interconnection obligation in respect of buildings accessed by at least two self-built customer access networks in the second round consultative paper issued in December 2003. The second consultation would end on 24 February 2004.

Initiative

To introduce legislative amendments to the Electronic Transaction Ordinance (ETO) to ensure that Hong Kong can provide the appropriate legal environment for the promotion of e-business development.

Progress Made/Present Position

Amendments to the ETO were introduced into the Legislative Council in June 2003. We aim to complete the legislative process within the 2003-04 legislative session so that Hong Kong will have the appropriate environment for the conduct of e-business.

Initiative

To issue second consultative paper on licensing, regulatory and technical framework for the development of digital terrestrial television. We need also to promote public understanding of the benefits of digital television.

Progress Made/Present Position

The consultative paper was issued in December 2003 for a three month consultation. The consultative paper outlines, among other things, the benefits of digital terrestrial television such as more efficient use of the available spectrum to broadcast more television channels and programmes, better picture and sound quality, introduction of High Definition television programmes, television reception on the move and new interactive multi-media applications.

Initiative

To modernize the broadcasting regulatory regime in view of rapid media convergence to facilitate the growth of emerging media and cross-fertilisation among telecommunications, broadcasting and the Internet. We will conduct a comprehensive review of the existing regulatory regime to identify areas for modification.

Progress Made/Present Position

We are working out the proposals and aim to consult the public on them in the first half of 2004.

Initiative

To adopt a two-prong approach to support film and entertainment industry through promotion of digital technology and facilitation of film financing with the establishment of a Film Guarantee Fund to provide loan guarantee for film production.

Progress Made/Present Position

On Film Guarantee Fund : A Film Guarantee Fund of $50 million was established on a pilot basis for two years in April 2003. So far, a total of 4 films with a guaranteed amount of over $8.6 million have been approved under the Fund.

On promotion of digital technology : We have, through the Film Development Fund, provided sponsorship for :

- practitioners in the post production sector to attend an overseas course on cinema surround sound;

- the organization of a digital cinematography training programme for cinematographers;

- the organization of a training programme on the application of digital technology to Kung Fu animation and visual effects for serving animators.

We have also collaborated with the Institute of Vocational Education in organizing digital editing training courses for film workers. The Digital Media Centre, now under construction at the Cyberport, will provide state-of-the-art digital post - production facilities which will help spearhead and support the development of the film and digital entertainment industry. In addition, we have issued the solicitation theme on "Media technologies for digital entertainment" under the Innovation and Technology Fund in September 2003 to invite applications for conducting research and development on digital entertainment.

Initiative

To adopt a three-prong approach to support SMEs as user or service provider of IT through collaboration with industry support organisations, use of SME Development Fund and maintaining vigorous outsourcing strategy for Government IT projects to benefit local IT industry.

Progress Made/Present Position

We have launched a wide range of support measures direct or through collaboration with industry support organisations to assist SMEs in IT adoption. These include awareness building programmes, free hotline enquiry service, free consultancy service and financial support. As at end 2003, the SME Development Fund has approved $40 million for trade and industry associations, industry support organisations and professional bodies to implement 35 projects which are conducive to helping SMEs enhance IT awareness and adopt IT, or assisting IT SMEs in enhancing their competitiveness or expanding business opportunities. Under our vigorous outsourcing strategy, about 88% of new Government IT projects, at a total value of $1.6 billion, were outsourced in 2002-03 to provide more business opportunities to the local IT industry.

Initiative

To take forward the Telecommunications (Amendment) Bill 2002 which is now with LegCo. The objective is to regulate mergers and acquisitions in an attempt to sustain the current momentum for efficient and equitable regulation of the telecom market.

Progress Made/Present Position

The Telecommunications (Amendment) Bill 2002 has been passed by LegCo in July 2003. We are consulting the industry on the guidelines for regulating mergers and acquisitions and aim to bring the legislative provisions into effect within 2004.

Initiative

To amend the Broadcasting Ordinance to tighten the control on the supply of unauthorized decoders to deter pirated viewing of licensed subscription television services.

Progress Made/Present Position

The Broadcasting (Amendment) Bill 2003 was introduced into the Legislative Council on 14 May 2003 and is currently under the scrutiny of a Bills Committee of the Legislative Council.   The Bill proposes to extend the scope of criminal sanction against dealers of unauthorized decoders to cover users for commercial purposes, and provide for civil remedy against domestic pirated viewing.

Initiative

To create a more conducive environment for the broadcasting industry by, for example, relaxing restrictions on sponsored programmes and product placement.

Progress Made/Present Position

Restrictions on sponsored programmes and product placement have been relaxed as from 27 June 2003.   Such relaxation allows domestic free television programme service licensees to expand sources of advertising revenue.

2. *To promote the use of innovation and design to help Hong Kong industry move up the value chain and upgrade to original design manufacturing mode.*

Initiatives

To form a steering group with industrial companies with outstanding record of design excellence and design professionals to spearhead the promotion of innovation and design in industry.

To ensure better linkage between industry and design education and professionals.

To entice leading industrial design companies worldwide to set up operations in Hong Kong, either on their own or in collaboration with local companies or tertiary institutions.

To make greater use of the Hong Kong Design Centre and the related design profession as the champion body for better industrial and product design.

To work together with the Hong Kong Design Centre and the Hong Kong Trade Development Council to make the "Business of Design Week" a premier and highly visible design event in Asia.

Progress Made/Present Position

With industry and professional participation, the Steering Group on the Promotion of Innovation and Design was established and has given advice on a wide range of programmes to leverage on the efforts of various promotional agencies to foster integration of innovation and design to the value chain, to promote and honour excellence in industrial design, and to enhance our design capability. To this end, the Government has implemented an Innovative Product Development Assistance Programme under the Innovation and Technology Fund (ITF), funded the establishment of the integrated circuit (IC) design and development support centre in the Science Park, the Digital Media Centre and the Wireless Solutions Development Centre in the Cyberport, and supported the Hong Kong Design Centre to organise the second Business of Design Week in December 2003.

7. As a matter of policy and leadership we shall explore the most effective way of driving forward E-government in the changing climate.

Initiative

We shall meet our target of having 90% of amenable services available by end 2003. The key issues now are to bring more government services online, and

enhance usership. The e-channel is the most cost-effective channel there is. We shall explore the termination or reduction of physical channel options, thereby having the e-channel for savings and promotion of migration to e-usage. Moving clients on to the e-channel will help departments provide their services more cost-effectively. This means thinking "customer centric" and thinking "process reengineering". We shall drive this thinking forward.

Progress Made/Present Position

By the end of 2003, we have met our targets to provide an e-option for 90% of the public services which are amenable to the electronic mode of delivery and to carry out 80% of Government procurement tenders through electronic means.

In driving utilization of these options, we have introduced various measures to promote usage of the services provided under the Electronic Service Delivery Scheme (ESD). New services (e.g. appointment booking for replacing ID cards, easy change of address) were introduced and enhancements to user-friendliness of the Scheme, implemented. A pilot was launched by the Information Services Department and Census and Statistics Department to offer a 25% promotional discount for the online purchase of statistical and other government publications. Once a substantial migration of service users to the e-channel has been achieved, we will explore the closure of some physical channels where justified.

To ensure that Government takes full advantage of e-government to improve operational efficiency and quality of service delivery, all bureaux and departments have been required to explore opportunities for business process reengineering (BPR) when embarking on computerisation projects. Examination of these BPR opportunities can result in lower implementation costs and generate greater benefits/savings for Government and customers. In addition, we have strengthened our project vetting mechanism to ensure that computerization projects are implemented in accordance with certain key principles: fully exploit joined-up potential; engage customers; deploy customer relationship management (CRM) features to enhance user-friendliness of the services; explore appropriate partnership with the private sector; and adopt innovative technologies. Collectively, these measures have started to ensure that greater benefits for both customers and the Government are derived from computerization projects.

Our e-government efforts continued to gain international recognition. According to the annual E-government leadership survey (April 2003) conducted by Accenture, a management consulting and technology services company, Hong Kong's ranking moved up to 7th (from 8th in 2002 and 10th in 2001). Our E-government services also received positive local support. According to a household opinion survey conducted between January and May 2003, 70% of surveyed Internet users had used e-government services, of which more than 60% rated e-government services as "very good" or "quite good".

8. *To sustain momentum in marketing and developing the Cyberport and Science Park.*

Initiative

To promote the Science Park and the Cyberport more aggressively overseas through Invest Hong Kong, HKSARG overseas Trade and Economic Offices, Hong Kong Trade Development Council and specially commissioned agents.

Progress Made/Present Position

In 2003, the Science Park and Cyberport have undertaken joint promotion tours with Invest Hong Kong to a total of 11 cities in the USA, Canada, the UK, Ireland and Switzerland.

In addition, the Cyberport has undertaken the following major promotional activities in the same year :

- Hong Kong/Pearl River Delta Roadshow to Seoul, Korea organized by TDC;

- IT and Technology Seminars in Xiamen and Guangzhou organized by Invest Hong Kong; and

- International IT and digital entertainment trade fairs such as CeBIT, Asia (Shanghai), Cebit Germany and DICON, Korea (Seoul).

In respect of the Science Park, the Hong Kong Science and Technology Parks Corporation has also undertaken the following major promotional activities in 2003 :

- joining the International Telecommunication Union Hong Kong Pavilion at Geneva;

- joining the roadshow with Hong Kong Trade Development Council to Europe (France and Germany); and

- participating in technology fair and also in seminars and exposition in IT and optoelectronics in the Mainland (Shenzhen and Xiamen).

These promotion activities have raised the profile of the Cyberport and the Science Park and helped attract a number of potential tenants. With the help of Invest Hong Kong, they are following up with the interested companies.

Initiative

To add value to the services being provided at the Science Park and the Cyberport, e.g. to establish an IC design support centre in Science Park and a Digital Media Centre in Cyberport to enhance their attraction and usefulness to the industry.

Progress Made/Present Position

Through the Innovation and Technology Fund (ITF), the Government has funded the establishment of an IC design and development support centre in the Science Park to provide backend support and testing services for IC design and development activities, and the provision of photonics-related facilities and services to support the design, evaluation and qualification of photonics-related components and sub-components. The Digital Media Centre (DMC) at the Cyberport, which is partially funded by the ITF to provide state-of-the-art post-production facilities and technical support for the digital entertainment industry, is scheduled to open in late March 2004.

<u>Initiative</u>

To develop a regional centre of excellence for IT and digital media training for creating human capital in IT through collaboration and partnership with the industry, academia, research institutes and professional bodies.

<u>Progress Made/Present Position</u>

The Cyberport Institute which offers post-graduate diploma courses in IT has officially opened its Cyberport campus on 18 November 2003.

<u>Initiative</u>

To promote the development of services and applications for wireless and mobile communications leveraging on Cyberport's excellent infrastructure and synergy.

<u>Progress Made/Present Position</u>

The Hong Kong Wireless Development Centre, which supports and promotes the development of wireless/mobile services and applications in Hong Kong by providing a central testing facility and an exhibition area, was officially opened in Cyberport on 15 December 2003.

9. *To promote technology development, with a view to spawning new industries.*

<u>Initiative</u>

To promote areas where Hong Kong has competitive advantages, such as wireless services and applications, IC design and applied biomedical research.

<u>Progress Made/Present Position</u>

In respect of wireless services and applications, the Applied Science and Technology Research Institute (ASTRI) has identified wireless communications

as one of its research foci. ASTRI started six R&D projects in this research area at a total cost of $80 million in 2003. These projects aim to improve the performance of wireless antennas and voice/data communication.

An IC design and development support centre has been set up in the Science Park, with funding from the ITF to provide backend support and testing services for IC design/ development activities.

In applied biomedical research, the ITF has supported six R&D projects at a total cost of $40 million. These projects are under the solicitation theme on applied genomics, with a view to translating genomic information for clinical and industrial applications. Biotechnology is also one of the four focused technology clusters to be developed in the Science Park.

The ITF supported two nanotechnology projects in 2003: one from the Hong Kong Polytechnic University at $12.5 million to improve properties of fabrics and develop intelligent textile and apparel products through the application of nano-finishing and nanotechnology; the other from the Hong Kong University of Science and Technology at $56.9 million on the development of functional nanomaterials and technologies for commercial applications.

ASTRI has completed the R&D project on the interactive English learning software "Sonic Ranger" and signed agreements with six business partners to commercialize the software.

In the area of photonics technologies, ASTRI has started four research projects and three are due for completion in 2004.

Initiative

To further the development of the Hong Kong Jockey Club Institute of Chinese Medicine as a centre of excellence in pioneering science and evidence-based Chinese medicine.

Progress Made/Present Position

The Hong Kong Jockey Club Institute of Chinese Medicine has worked out its strategic development plan and started eight research project projects with local institutions.   The total costs of the projects amount to $45.3 million.

Communications and Technology Branch
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January 2004