Speaking Notes for

the Secretary for Commerce and Economic Development

at the Special Meeting of the Finance Committee

on 7 March 2012

Introduction

1. Chairperson, the Budget of this year has covered a number of policy areas under the scope of communications and technology. I will brief Members on our key policies and the work progress concerned.

Digital Audio Broadcasting

2. The Government has granted sound broadcasting licences to Digital Broadcasting Corporation Hong Kong Limited, Metro Broadcast Corporation Limited and Phoenix U Radio Limited for providing digital audio broadcasting service. Together with Radio Television Hong Kong (RTHK), they will provide a total of 18 channels, some of which had already been soft-launched or formally launched.

3. The service of the commercial operators and RTHK will be rolled out in full in the coming months. We will continue to oversee the launch of digital audio broadcasting services.

Radio Television Hong Kong

4. RTHK will continue to develop various new development initiatives to fulfil its mission as the public service broadcaster of Hong Kong. RTHK will continue the preparation work for the launch of digital

terrestrial television service (DTT) by increasing the production of High Definition TV programme and establishing DTT transmission network, implementing the media asset management project as well as planning for the construction of new Broadcasting House in Tseung Kwan O.   For the Digital Audio Broadcasting service, RTHK will, in the middle of this year, start to introduce more new programmes that embrace the digital technology.   Besides, RTHK has also launched a public consultation on the pilot project for the Community Involvement Broadcasting Service (CBIS) since end of December 2011.   RTHK will announce the outcome of the consultation and seek funding approval for the establishment of the Community Involvement Broadcasting Fund in the second quarter of 2012, with a view to inviting proposals for CIBS in the second half of 2012.

The Communications Authority

5.   We will establish the Communications Authority on 1 April this year, by merging the functions of the Broadcasting Authority and Telecommunications Authority, as the unified regulator for the telecommunications and broadcasting sectors.

Creative Industries

6.   The design sector is one of the fastest-growing sectors of local cultural and creative industries.   We will step up our support to the design sector.   We will seek the approval of the Finance Committee of the

Legislative Council for funding[1] to support the operation work of the Hong Kong Design Centre (HKDC) for the coming three years; to finance two anchor events, namely Business of Design Week and Hong Kong Design Centre Awards; and to take forward a new round of the Design Incubation Programme; with a view to promoting the local design sector and nurturing design start-ups.

7. On the other hand, we will support the Hong Kong Design Centre in organising "Hong Kong Design Year" in 2012. Currently, some 40 design-related events have been confirmed for "Hong Kong Design Year".

Innovation and Technology

8. On innovation and technology, we have increased the level of rebate under the Research and Development (R&D) Cash Rebate Scheme from 10% to 30%, which is applicable to applications approved on or after 1 February 2012;

9. Also, with immediate effect, we increase the monthly allowance under the Internship Programme by about 20%. The monthly allowances for Graduates who possess a Bachelor degree and those with a Master degree are increased to $12,000 and $14,000 respectively.

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[1] We will earmark $70 million to support the operation of HKDC for three years starting from June 2012; provide HKDC with $37.50 million to stage "Business Design Week" and "HKDC Awards" between 2012 and 2014; and the Government will redeploy existing financial resources and earmark an additional $26.25 million to fund the new round of "Design Incubation Programme" launched by HKDC.

10. The funding ceiling under the Small Entrepreneur Research Assistance Programme (SERAP) of the Innovation and Technology Fund will be increased from $4 million to $6 million to facilitate the research and development activities of small and medium enterprises.

Providing Infrastructure for Innovation and Technology

11. The development of Science Park Phase 3 is in good progress.   It will be completed in stages from early 2014 to 2016.   Upon completion, the total floor space of Science Park will increase by some 50% and can accommodate an additional 150 technology companies.   Some 4 000 R&D related jobs will also be created.

12. To meet the long-term development needs of the high-tech industry, we have invited the Hong Kong Science and Technology Parks Corporation (HKSTPC) to explore the feasibility of expanding Yuen Long Industrial Estate, which involves about 16 hectares of land.   In the meantime, HKSTPC will continue to revitalise the three existing industrial estates to release precious land for new projects.

Testing and Certification Services

13. On the promotion of testing and certification services, the Government has been implementing a three-year industry development plan together with the Hong Kong Council for Testing and Certification to enhance promotion of our testing and certification services outside Hong Kong.   The Council has also focused efforts in promoting and

developing new services in the four selected trades of Chinese medicine, construction materials, food and jewellery. In 2012, the Council will explore with the industry new business opportunities in the environmental protection and information and communications technologies sectors.

Digital 21 Strategy

14. We achieved good progress in implementing the Digital 21 Strategy last year. On Government IT expenditure, the estimated non-recurrent expenditure of computerisation in 2012-13 amounts to $1.8 billion, which is 40% above the revised estimate of $1.29 billion in this financial year.

Facilitating Data Centre Development

15. Data centres are essential infrastructure in a knowledge-based economy. The development of various economic sectors and the emerging cloud computing and media business relies very much on data centres. Facilitating data centre development in Hong Kong also helps attract international business corporations to establish their regional headquarters in Hong Kong, thus maintaining Hong Kong's competitiveness as a regional hub as well as an international financial centre. Hong Kong is a prime location in the region for setting up data centres. However, it needs to meet the demand for data centre development quickly, lest these high value-added facilities will resort to other locations.

16. The 2012-13 Budget further announced two new measures to encourage the use of existing industrial buildings or industrial land for data centre development. First, we will exempt the waiver fees for changing parts of eligible industrial buildings into data centre use. In addition, for development of high-tier data centres involving lease modification on industrial land, the Government will assess the premium for the lease modification on the basis of high-tier data centre use. These two measures will be introduced in 2012-13 financial year for application till 31 March 2016. We will announce the implementation details in due course.

17. In the meantime, we are actively coordinating with relevant government departments to remove barriers having regard to the special mode of operation of data centres. For example, the Data Centre Facilitation Unit of the Office of the Government Chief Information Officer has recently completed a study on lorry parking requirements of data centres for Transport Department's reference. We will continue to engage the industry in order to facilitate the development of data centres in Hong Kong.

Cloud Computing

18. We will start to develop the first phase Government cloud platform this year to enable more agile and cost-effective delivery of e-government services. We are now working on the technological design and implementation plan for the Government cloud platform and will soon seek funding from the Finance Committee.

19. The rapidly developing Mainland technology sectors and markets could be the standard setter on cloud computing.   We are working with Mainland authorities to enable exchange of views and experience in cloud services and related standards between experts in the two places.

Facilitating Digital Inclusion

20. We launched the five-year Internet Learning Support Programme to help low-income families acquire affordable computers and Internet access services, and provide them with complementary training and support so that their school-age children can enhance their quality of learning and broaden their horizon.

21. Last year, we provided funding to support the development of ICT-based assistive devices, and launched a campaign to drive adoption of accessibility design in both public and private websites to facilitate persons with disabilities to access online information and services.

22. Chairperson, I stand ready to answer questions from Members.

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