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Panel on Information Technology and Broadcasting

Meeting on 11 January 2016

Updated background brief on Hong Kong Design Centre

Purpose

This paper provides background information on the Government's support for the operation of Hong Kong Design Centre ("HKDC") and a summary of the views and concerns expressed by Members during previous discussions on the work of HKDC.

Background

2. HKDC is a non-profit making infrastructure organization established in 2001 to further the development of design. It is a company limited by guarantee, with the Hong Kong Designers Association, Chartered Society of Designers, Hong Kong, Interior Design Association Hong Kong, Hong Kong Fashion Designers Association, and the Hong Kong Federation of Design Associations as members. The objectives of HKDC are to, among other things, promote design as a value-added activity and integration of design into mainstream business processes, which are in line with the Government's policy on the promotion of design and innovation. HKDC has since its inception been the Government's main partner in promoting design. To support HKDC's initial operation, the Government provided a one-off funding of \$10 million to HKDC as seed money in 2001. The Finance Committee ("FC") approved in June 2004 a funding commitment of \$250 million for the setting up of the DesignSmart Initiative¹ ("DSI") under which \$45 million was set aside for supporting the operation of HKDC.

¹ DesignSmart Initiative ("DSI") aimed at supporting and promoting design and related activities that offer industries and businesses the ability to differentiate themselves from their competitors, add value to their products or services, and increase their economic competitiveness. DSI has subsequently migrated to the \$600 million CreateSmart Initiative which aims at providing financial support to initiatives that are conducive to the development and promotion of creative industries.

3. On 11 October 2006, the Chief Executive announced in his 2006-2007 Policy Address that the Government would earmark \$100 million over five years for HKDC to further assist the trades and industries in Hong Kong to make full use of their designs and build their brand names. Following consultation with the Panel on Commerce and Industry, the Administration submitted a funding proposal of \$100 million to support the operation of HKDC over five years to promote the importance of design and innovation. The proposal was approved by FC on 25 May 2007.

4. On 9 February 2009, the Administration presented a proposal on the setting up of a dedicated office for creative industries, Create Hong Kong ("CreateHK"), to the Panel on Information Technology and Broadcasting ("the ITB Panel"). The ITB Panel was supportive of the Administration's proposal to, among others, transfer the \$100 million non-recurrent commitment for HKDC under the Innovation and Technology Commission to CreateHK under the Communications and Technology Branch, which would in future be responsible for managing the commitment. On 1 June 2009, the Administration set up CreateHK which aimed to coordinate Government policy and effort regarding creative industries, focus Government's resources catering for the promotion and speeding up of the development of creative industries in Hong Kong, and work closely with the trade to boost the development of creative industries.

5. Following consultation with the ITB Panel on 14 November 2011, the Administration sought FC's approval to increase the financial commitment by \$70 million to support the operation of HKDC for three years from 1 July 2012 to 30 June 2015, to create a new commitment of \$37.5 million to provide dedicated funding to enable HKDC to organize the Business of Design Week ("BODW") and HKDC Awards, and to create a new commitment of \$26.25 million to provide funding support for HKDC to operate the Design Incubation Programme² ("DIP") from 1 May 2012. The funding proposal was approved by FC on 13 April 2012.

6. On 9 February 2015, the Administration briefed members at the ITB Panel meeting on the proposal to continue providing funding support of \$80 million to HKDC to support its basic operation from July 2015 to March 2019. The Administration informed the ITB Panel that HKDC had indicated that it would not be able to achieve self-financing when the time-limited funding lapsed in end June 2015. The proposed funding would sustain the basic operation of HKDC. Meanwhile, the Administration

² The Design Incubation Programme aims at nurturing design start-ups to help build up a design talent pool and design entrepreneurship in Hong Kong. It offers funding support and other support services to incubatees, with a view to helping them meet the challenges during the early and critical stages of development.

would commence a review in 2016 on the financial position and long-term funding arrangement for HKDC. The majority of ITB Panel members expressed support for the proposal to continue to provide time-limited funding to HKDC. The funding proposal was included in the draft 2015-2016 Estimates for consideration by the Legislative Council ("LegCo") in the context of the Appropriation Bill and was approved at the Council meeting on 28 May 2015.

Previous discussions

Panel on Information Technology and Broadcasting

Nurturing talents and design start-ups

7. At the ITB Panel meeting on 12 May 2014, some members were of the view that the Administration should carry out various initiatives to promote design on a continuous and ongoing basis rather than as one-off events. These members suggested that focal points in the format of design workshops could be set up in collaboration with other related organizations such as tertiary institutions and Police Married Quarters so as to gather, promote and nurture young talents in the design sector.

8. At the ITB Panel meeting on 8 December 2014, some Panel members requested the Administration to support HKDC in collaboration with the commercial sector. Noting the small number of factories currently operating in Hong Kong, these members also expressed concern about the lack of support for developing prototype products by local designers. They requested the Administration to step up measures to support designers in transforming their design activity into tradable deliverables and to provide more venues for display of works and products by young talents in the fashion-design industry.

9. The Administration advised that some fashion companies had provided workshops to design talents for manufacturing their fashion prototypes. The Administration was in consultation with the Expert Group on Fashion Industry on finding ways to provide more workshops for producing fashion prototype products. The Administration would continue to explore opportunities to nurture young design-entrepreneurs, to increase their overseas exposure and to showcase their designed products and establish contacts with overseas buyers.

Performance indicators and research support

10. At the ITB Panel meeting on 12 May 2014, some members opined that economic indicators in terms of job opportunities or the value added to the Gross Domestic Product should be made available to evaluate the work of HKDC. Noting that the time-limited funding currently provided by the Government to support the operation of HKDC as well as BODW and HKDC Awards would lapse in the middle of 2015, some members urged the Administration to set or appraise more pragmatic performance or outcome indicators for assessing the work of HKDC so as to seek the Panel's support for a further funding proposal in the future.

11. The Administration advised that, according to the statistics produced by the Census and Statistics Department, the value added by the design sector to the economic growth of Hong Kong had increased by 230% from \$1 billion in 2005 to \$3.3 billion in 2012 while the number of persons engaged by the design sector increased by 47% from some 9 600 to some 14 000 during the same period. The Administration also advised that HKDC itself or its programmes were mentioned in 1 148 news clippings, with the public relations media value generated estimated to be some \$110 million while the total expenditure involved in such HKDC-organized programmes were some \$84 million. Nevertheless, the impact of programmes conducted by a design promotional agency such as HKDC was not always quantifiable and readily ascertainable. The Administration would work with HKDC to invite experts and academia in this aspect to conduct tracking surveys and set performance indicators for assessing the work of HKDC, as part of the emerging design culture or ecosystem in Hong Kong.

12. Some Panel members pointed out that usability study and user behaviour research could facilitate successful commercialization of design deliverables as usability in product design was a critical success factor. These members suggested that the Government should make reference from Singapore to set up user laboratories to carry out studies on products' usability and user experience, and step up efforts in facilitating scientific researches and analyses which could provide useful data for the design process. The Administration responded that the CreateSmart Initiative under CreateHK had been sponsoring tertiary educational institutions in conducting various researches in the design areas in recent years. The Knowledge of Design Week and insight study had already provided a platform for local talents in the design sector to exchange views with world-renowned masters and speakers regarding usability research.

Use of information technology in design business

13. At the ITB Panel meeting on 8 December 2014, some members were of the view that the Administration should step up measures to promote the integration of innovation and technology into the design industry, such as the use of "Internet of Things" and wearable technologies, and to keep the industry abreast of the new developments in the relevant fields. These members urged the Administration to integrate the projects in the design sector into the Government-funded research and development projects undertaken by small technology-based companies, as well as the projects funded under the incubation programmes operated by the Cyberport management and the Hong Kong Science and Technology Parks Corporation ("HKSTPC").

14. The Administration advised that it had encouraged co-operation among institutions responsible for design-related and technology-related projects. HKDC had also been in close contact with the InnoCentre under HKSTPC to foster the development of design-related innovations in Hong Kong. HKDC and Cyberport had jointly hosted a game design hackathon in November 2014 whereby young talents, designers and entrepreneurs collaborated intensively on software projects for the purpose of creating a newly designed game prototype for the gaming industry. On fashion design, HKDC had promoted knowledge sharing and integration of new technology with innovative design into "smart textiles". The management of HKDC, Cyberport and HKSTPC responsible for design-related and technology-related projects also held regular meetings to exchange their views and experiences with a view to creating more business opportunities and business endeavours.

Collaboration with other trade-promotion partners

15. At the ITB Panel meeting on 8 December 2014, some members expressed concern whether sufficient support had been provided to design-entrepreneurs in promoting their designs and products. The Administration advised that CreateHK had supported the organization of local signature events, such as BODW which HKDC had co-organized with the Hong Kong Trade Development Council ("HKTDC"), to promote Hong Kong as Asia's creative capital. Support was also provided by HKTDC to new design start-ups by offering discounted rents for setting up stalls at the Inno Design Tech Expo which was held concurrently with BODW. In addition, HKTDC also operated a Design Gallery at Police Married Quarters, a retail venue dedicated solely to the promotion of creativity, innovation and excellence of Hong Kong designed products which were displayed on the recommendation by experts from HKDC.

Finance Committee

16. At the special FC meeting on 30 March 2015, Hon James TIEN raised question, among other matters, on the various funding schemes under CreateHK, and Hon LEE Cheuk-yan raised question on the estimated expenditure in respect of HKDC in 2015-2016. The Administration advised that CreateHK would continue to support the operation of HKDC. It had commissioned HKDC to administer DIP to nurture design start-ups. Each incubatee under DIP received funding support of up to \$500,000 over the two-year incubation period, covering office rental, overheads, costs of promotion and development, training course management and expenses relating to technical and administration matters. The Administration also advised that the estimated expenditure for the work of HKDC in 2015-2016 was about \$20 million.

Latest position

17. The Administration and HKDC representatives will update the ITB Panel on 11 January 2016 on the progress of work and funding proposal of HKDC and its future plans.

Relevant papers

18. A list of the relevant papers with their hyperlinks is at:
http://www.legco.gov.hk/yr15-16/english/panels/itb/papers/itb_g.htm

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