

Speaking Notes for
the Secretary for Commerce and Economic Development
at the Special Meeting of the Finance Committee
on 18 April 2018

Introduction

- Chairperson, I will briefly highlight the main areas of work in respect of communications and creative industries in the coming financial year.

Telecommunications and Broadcasting

- On telecommunications, the Chief Executive proposed in the 2017 Policy Address for the Government to take the lead to provide telecommunications operators with financial incentives in the form of subsidies to encourage the extension of fibre-based networks to remote village. This reflects the “people-centric” philosophy of the current-term Government, and will enhance the infrastructure for future technological development. The Commerce and Economic Development Bureau (“CEDB”) and the Office of the Communications Authority are consulting the relevant District Councils on the list of villages to be covered under the scheme and relevant details. We will consult the Legislative Council (“LegCo”) Panel on Information Technology and Broadcasting (“ITB Panel”) next month, and thereafter seek the approval of the Finance Committee for the funding. We aim to kick off the tender exercise as soon as possible so that villagers in remote areas can enjoy high speed broadband services earlier.
- The existing assignments of frequency spectrum in the 900 MHz and 1800 MHz bands for the provision of mobile services will expire in 2020 and 2021. The Communications Authority (“CA”) and CEDB announced the decisions on the adoption of hybrid approach for spectrum re-assignment and the related spectrum utilisation fee (“SUF”) in December 2017. The CA plans to invite

the incumbent operators in the second half of 2018 to consider exercising their right of first refusal for the 80 MHz of right-of-first-refusal spectrum, and conduct the auction for the remaining 120 MHz of spectrum around the end of this year.

- Hong Kong has all along been keeping up with international trend, and is geared up for the launch of fifth generation (“5G”) mobile services and applications in 2020. In this regard, the CA and the CEDB will consult the public on the assignment arrangements of the first batch of 5G spectrum (including spectrum in the 3.4 - 3.6 GHz and 26 & 28 GHz bands) and the related SUF in mid-2018. We expect that the new spectrum will be ready for assignment in 2019 at the earliest.
- On broadcasting, the blossoming of Internet media in recent years has changed the operating environment of the broadcasting industry in Hong Kong. The regulatory imbalance between traditional broadcasting industry and Internet media has become self-evident, raising concerns over the long-term sustainability of the traditional broadcasting industry.
- We have honoured our pledge in the 2017 Policy Address and completed the Phase One Review on Broadcasting Ordinance (Cap. 562) and Telecommunications Ordinance (Cap. 106) regarding the television and sound broadcasting regulatory regimes. It is the Government’s principle to assume the role of a “facilitator” and remove obstacles for the broadcasting industries. We commenced on 20 February a three-month public consultation on the review outcome and relevant regulatory relaxation proposals, and consulted in early March the LegCo ITB Panel. We aim to gauge public opinions with a view to reaching community consensus for introducing in early 2019 an amendment bill into LegCo.
- Meanwhile, we are undertaking preparatory work for the Phase Two Review

covering the telecommunications regulatory regime, the objective of which is to ensure that the telecommunications control regime dovetails with technological advancement. We plan to commence the concerned public consultation later this year.

- Besides, having consulted the broadcasting industry, the CA is now conducting a public consultation on relaxation proposals of the regulation of indirect advertising and product placement, premised on striking an appropriate balance between fostering development of the broadcasting industry and protection of viewers' interests.
- The Government will continue to monitor the implementation of digital terrestrial television ("DTT") broadcasting services. At present, the coverage and take-up rate of DTT has reached 99% of population and 88% households respectively. We are now reviewing the working target for switching off analogue television broadcasting and we plan to make public the review outcome within this year.

Creative Industries

- In respect of creative industries, the Government has since 2009 injected a total of \$1 billion into the CreateSmart Initiative (CSI) to provide funding support for the seven non-film creative industries. The Government plans to inject another \$1 billion into the CSI in the new financial year to strengthen our support for the development of creative industries, in particular in nurturing young talents and facilitating start-ups, as well as enabling the Hong Kong Design Centre to launch a series of initiatives to promote the values of creativity and design thinking among the different sectors in the society. The proposed injection is the largest amount since inception of the CSI, and is equivalent to the total amount of all previous injections. It demonstrates the importance the Government attaches to the development of creative industries and our expectation that they will become the new driver of Hong Kong's

economy.

- Film is an important soft strength of Hong Kong. In view of the considerable changes of the film market in recent years, we have engaged a consultant to review the operation and effectiveness of the various funding schemes under the Film Development Fund (FDF), to study the latest market development trends and to propose feasible corresponding measures. The consultancy study is expected to be completed in mid-2018. We will consider the recommendations therein in consultation with the Film Development Council, and formulate proposals to improve the operation of the FDF in areas of enhancing production, talent nurturing, expanding market and audience development, etc. with a view to further strengthening the development of the film industry.

Conclusion

- Chairperson, the above summarises the main points. My colleagues and I stand ready to answer questions from Members.

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