

Speech by Acting SCED at Asia Video Summit 2018 (English only)

Following is the speech by the Acting Secretary for Commerce and Economic Development, Dr Bernard Chan, at the Asia Video Summit 2018 today (October 30):

Joe (Chairman of the Asia Video Industry Association, Mr Joe Welch), Louis (Chief Executive Officer of the Asia Video Industry Association, Mr Louis Boswell), John (Chief Policy Officer of the Asia Video Industry Association, Mr John Medeiros), distinguished guests, ladies and gentlemen,

Good morning. It is my pleasure to join all of you at the Asia Video Summit 2018 of the Asia Video Industry Association (AVIA).

We are glad that AVIA has its inaugural Asia Video Summit staged in Hong Kong. May I take this opportunity to welcome all the industry executives and practitioners, especially those who have come from afar, to gather here today for this special event.

I am delighted to witness that AVIA has evolved smartly, responding to the new era of the broadcasting industry. CASBAA (Cable and Satellite Broadcasting Association of Asia), as it used to be called, has rebranded itself as AVIA and truly reflects the changing broadcasting landscape worldwide. AVIA's new mission and scope of membership to encompass the broader video industry is surely a move in the right direction to fully align itself with the technological innovations and increasing pervasiveness of Internet media.

This summit with the theme of "The State of the Video Industry in Asia" aims to explore the opportunities and challenges, the disruption and the consolidation, as well as the success stories and the ability to embrace change. This is indeed a very challenging yet meaningful topic. The sharing among industry experts and key stakeholders will no doubt bring new insight for each of us to bring home.

With the advancement of technology and telecommunications infrastructure, virtually all people – perhaps with the exception of a few – are connected to the Internet. Smartphones, tablets and laptops are ubiquitous. And obviously, the prevalence of mobile and broadband services has given rise to the proliferation of the Internet-based media.

"Watching video from anywhere at any time" is an appealing slogan of nowadays' video content providers. Instead of viewing the Internet as a disruption to the traditional broadcasting industry, I would more optimistically say that the Internet has brought us unprecedented opportunities. The broadcasters and video content providers can now reach out to potential customers with unlimited geographical boundaries and breaking any time constraints via their cross-media platforms and content delivery

networks. On the other hand, telcos are eager to provide more videos and entertainment as value-added services to their subscribers.

Many believe that the increasingly blurred boundary between broadcasting and telecommunications industries would vanish one fine day. Until then, we see increasing collaboration and partnership among broadcasters, telcos, content providers and technological solution companies, fuelling the growth of the video business around the world.

Today, I am here to share with you some updates on the broadcasting and telecommunications developments in Hong Kong, as well as the efforts of the Hong Kong Special Administrative Region (HKSAR) Government to support our broadcasting, telecommunications and creative industries.

The HKSAR Government is committed to promoting Hong Kong as a regional broadcasting hub. As you may know, Hong Kong adopts market-led, technology-neutral broadcasting policies and a light-handed regulatory approach. As one of the freest economies in the world, Hong Kong has no limit on foreign investment in pay TV services and does not impose restrictions on the business models of pay TV services. Most importantly, we uphold freedom of expression and information, and do not pre-censor broadcast contents.

On the pay TV market, our two incumbent operators are providing about 400 pay TV channels, including 130 high-definition channels. They have been exploring enhanced services such as ultra-high-definition TV, 3D TV and interactive programmes. Their programmes are also available via over-the-top (OTT) and mobile platforms.

Hong Kong prides itself for the sophisticated infrastructure and excellent pool of talents, which has well-positioned us as a regional hub for uplinking satellite TV services. Our 14 non-domestic TV programme service licensees are serving the Asia-Pacific region by offering about 190 satellite TV channels. Viewers in Hong Kong are benefitted as we can receive more than 400 free unencrypted satellite TV channels uplinked from Hong Kong and elsewhere.

The OTT service has gained popularity swiftly across the globe, and Hong Kong is of no exception. In line with practices adopted by other advanced economies, TV programmes provided on the Internet, including OTT, are exempted from the regulatory regime of traditional broadcasting services in Hong Kong. All these contribute to an open environment for regional and international broadcasters to develop their businesses here. With our high broadband and mobile penetration rate, we expect OTT business will continue to expand in Hong Kong in the coming years.

This term of Government is firmly committed to being a "facilitator" and a "promoter" for businesses. To this end, we have reviewed our broadcasting policies and measures with a view to removing obstacles for the traditional broadcasters and modernising the regulatory framework to provide a competitive business environment. A three-month public consultation exercise on the review of the Broadcasting Ordinance was completed earlier this year. By the way, we thank all key stakeholders, including AVIA, for sending us

comments and views on our proposals.

I wish to inform our honourable guests here that the broadcasting industry and stakeholders are generally supportive of the direction of the legislative proposals to relax obsolete statutory requirements and rationalise the regulatory arrangements. The proposed amendment package covers three aspects, namely cross-media ownership restrictions, foreign control restrictions and the requirement of a licensee being a non-subsidiary company. With the support gathered in the public consultation, colleagues in my bureau are preparing a draft amendment bill, which we aim to introduce into the Legislative Council early next year.

Our regulatory improvement measures for the broadcasting sector are multi-pronged and do not stop at legislative amendments. Codes of Practice and other administrative regulatory control practices will continue to be modernised to dovetail with the latest development needs. For instance, in July 2018, the Communications Authority announced the relaxation of regulations for indirect advertising in TV programme services. Broadly speaking, with the exception of certain genres of programmes and subject to certain compliance requirements, indirect advertising is now permitted in TV programmes. This will help the industry diversify its sources of advertising and provide a more conducive business environment for the industry while safeguarding viewers' interests. We trust that the package of improvement measures, when fully implemented, will create a more facilitative environment that enables further innovation and sustainable development of Hong Kong's broadcasting industry.

I understand that another area of concern of the trade is online piracy. Please rest assured that Hong Kong attaches great importance to the protection of intellectual property rights. On the front of law enforcement, Hong Kong Customs has been sparing no efforts in combating online piracy, and its efforts bore fruit last December with the successful prosecution of the Maige TV set-top box case effected in Hong Kong. The court ruling and the jail sentence for the convicted have a strong deterrent effect on similar piracy activities, and have sent a clear message to the community that copyright infringement is a serious criminal offence.

We are pleased to note that our enforcement efforts have been recognised by the industry, including the then CASBAA. Our Customs and Excise Department would continue to give its best in fighting against infringing activities involving TV set-top boxes, as demonstrated by the series of operations taken since then.

Talking about embracing change, we are all expecting commercial 5G services to be launched in 2020. Characterised by its technical capabilities of high speed, high capacity, high reliability and low latency, 5G will open up vast potential for video and broadcasting services, such as better streaming experience, virtual reality and augmented reality.

Hong Kong is ready for the launch of the 5G network and services. In terms of spectrum supply, we have planned to assign a total of 4 500 MHz of radio spectrum in various frequency bands next year for 5G services. The

amount is eight times the spectrum currently assigned for public mobile services, making Hong Kong the first economy in the world to release such a significant amount of spectrum to support 5G development.

In addition, to enhance our broadband network coverage, we are implementing a subsidy scheme to extend the fibre-based broadband backbone to about 300 villages in remote locations in the New Territories and on the outlying islands. As a further move to facilitate the roll-out of 5G networks, as announced by the Chief Executive, Mrs Carrie Lam, in the recently announced Policy Address 2018, we will proactively open up around 1 000 suitable government premises to enable the mobile operators to install radio base stations and streamline the application procedures.

All the above demonstrates the Government's commitment to enhancing the telecommunications infrastructure so as to provide an efficient backbone for cross-media broadcasting services. I am confident that our effort will support AVIA members to adopt the latest technologies and assist the industry to unleash new business opportunities in the 5G era.

Technology aside, another key driver for video infotainment is quality content. Customers nowadays have a wide array of choices and they only select the best.

As a world-class metropolis where East meets West and with such cultural diversity, Hong Kong is a natural ground for nurturing creativity. The HKSAR Government values the development of creative industries, the new drivers for Hong Kong's economy. Earlier this year, the Government injected a sum of HK\$1 billion in one go into the CreateSmart Initiative (CSI), which is dedicated funding used to support specific creative sectors, including design, TV, music, etc, to launch events or programmes in talent nurturing, market development and fostering a creative atmosphere in the community.

The CSI is administered by an office, Create Hong Kong, which is under the Commerce and Economic Development Bureau and is the lead sponsor of this summit. Indeed, since 2010, we have been sponsoring small and medium-sized enterprises and local tertiary students to attend previous CASBAA Conventions.

The CSI does not cover the film industry, which is supported through another form of dedicated government funding, the Film Development Fund, or FDF. Since 2005, we have injected a total of HK\$540 million into the FDF to promote the long-term development of Hong Kong's film industry. The FDF has achieved heartening results – 50 film production projects and 200 other film-related projects supported by the Fund have so far groomed some 50 new directors and producers and scooped more than 110 local and international awards. The Chief Executive Mrs Lam has just announced in her 2018 Policy Address the plan to inject HK\$1 billion into the FDF to support the development of the film industry. One of the initiatives is to groom our talents by equipping them with skills for film productions of different lengths and genres for broadcast on multimedia platforms.

Looking ahead, the emergence of online and mobile viewing platforms will

further intensify the demand for quality programme content in the Mainland. On market expansion, we will continue to assist the trade to capture opportunities under the CEPA (Mainland and Hong Kong Closer Economic Partnership Arrangement) framework, where Hong Kong service providers are given preferential treatment in technical service of cable TV and the Mainland-Hong Kong film productions, as well as those arising from the Guangdong-Hong Kong-Macao Greater Bay Area development and the Belt and Road Initiative.

Ladies and gentlemen, the above is just an essence of the latest developments in our broadcasting, telecommunications and creative industries. Opportunities are always waiting for the best prepared. I am sure the Asia Video Summit, in its new form, will continue to be a superb platform bringing together experts around the world to network, exchange views and share market intelligence.

Let me wish AVIA a most successful summit. Thanks for choosing Hong Kong once again. And to all our friends from overseas, I wish you an enjoyable stay in Hong Kong.