

Response Paper

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Digital Entertainment

1. The response paper has narrowed the form of digital entertainment to games and film. However, in the position paper, describes digital entertainment in more broader terms that include toys and consumer electronics, location based entertainment (e.g., theme parks and entertainment venues), and hybrid forms of entertainment that are a combination (e.g., toys that interact with television, etc.).

International Trends

2. While the response paper recognizes in (3), the tremendous growth of digital entertainment, particularly in the area of Video Games and film production, they are actually considerably greater when you factor in toys and location-based entertainment.
3. A key point that must be made is that **entertainment products drive technology innovation** is an international trend. Several examples are given in our position paper of how entertainment products such as game consoles and intelligent toys drive the creation of new technologies. We believe that for Hong Kong to become a world player in technology innovation, through digital entertainment products is its greatest opportunity.

Hong Kong's Potential

4. While it is recognized in (4) that Hong Kong has good potential to develop digital entertainment, the examples given (of revenue and growth) are based upon trade (re-export) that further confirms the potential for higher-value services that include the development of technology or intellectual property.

Measures to Support the Digital Entertainment Industry

Infrastructure

5. It is clearly recognized in our position paper, in (7), and in (8) that Hong Kong has a sophisticated wired and wireless infrastructure. However, much of the content, particularly the “new media” still comes from overseas. Video games are from the US and Japan, online games are from Taiwan and Korea, the number of cable channels available to users is less in Hong Kong than other regional countries such as Taiwan and Korea. **No new innovations have been developed locally that leverages this infrastructure.** Local developers lack the technology and capital to compete (Korean and Taiwan markets are not as severely impacted by piracy as Hong Kong). Also, as many digital media products are easily exported over public networks, high bandwidth international network connections, particularly to China, are also very important.
6. Production infrastructure such as the Cyberport and FilmCity mentioned in (9) are a good step forward towards enhancing Hong Kong’s production infrastructure. For Cyberport, however, the remote location and relatively high costs (compared to areas such as Kwun Tung) make it inaccessible to small start-up digital entertainment companies. Cyberport, with its facilities and nearby residential housing, is geared more towards providing regional HQ for multinational companies. Access to expensive production equipment, training specialized in emerging digital entertainment technologies, and business development support would make Cyberport more attractive. The Korean Government funds Game Infinity, an incubator to support video game companies, which provides such services and also helps to promote its companies abroad. This kind of support would help stimulate the development of homegrown technologies. FilmCity will provide infrastructure for creating productions that compete with Hollywood. However, the financial infrastructure (financing) and production talent (digital special effects) require support. Another crucial infrastructure area that Hong Kong lacks is international market research (for toys, film, games, etc.).
7. Hong Kong also provides many other production infrastructure opportunities including the Science Park, subsidized training (12), SME development (10), matching funds (ITF), and the ASTRI program. Many of these programs support technology in general. However, the Government should clearly identify digital entertainment as a strategic direction. Vetting committees should also be unbiased and also familiar with digital entertainment. Currently many of the committees come from academia and areas such as system integration that are not aware of the global digital entertainment market. Furthermore, support is “compartmentalized” into certain departments or sectors and interdisciplinary / cross-industry initiatives end up falling between the cracks. Coordination between different industry sectors is also important, particularly in the highly interdisciplinary area of digital entertainment.

8. For digital entertainment, it is vital that Hong Kong work together rather than compete with China. Infrastructure and training programs should extend into China where low-cost labor can be exploited. This is particularly important for labor-intensive processes such as computer animation and modeling. Hong Kong should establish partnerships with science/industry parks in China to provide facilities that have a base of operations in both regions. Hong Kong should also work towards developing training programs in China to provide skilled workers.

Human Resource Development

9. As mentioned in our position paper, current-training programs including the ones listed in (11) focus upon software applications (short courses in animation that teach students how to use software) and **current** market demands. Many of the jobs for these trainees will migrate to China because of the cost differential and low barrier-to-entry. Hong Kong lacks the education infrastructure to develop more **interdisciplinary** and more **in-depth** (BS, advanced degree) programs to train the talent that are needed for long-term growth and innovation. Hong Kong education programs should train graduates who have the higher value skills to create prototypes and creative concepts that can be manufactured or produced leveraging the low-cost labor in China.

Research and Development

10. See (7) of this response.

Intellectual Property Right Protection

11. In the area of digitally transmitted entertainment forms (e.g., music, film, software, etc.), piracy has made it nearly impossible for local companies that depend solely upon the local market to survive. In addition to combating piracy, the government should also investigate ways in which it can help companies develop alternate revenue streams that are immune to piracy. For example, new opportunities include online-only services (e.g., online games), and products created primarily for the US, Japan, and European markets.

Market Promotion

12. Both (15) and (16) while helpful, fail to address the need for market research to help guide product development for international markets. Hong Kong must develop IP and products that are suited for international markets.

Consultation

13. For the government to be more effective in cultivating the digital entertainment industry and facilitating its development, it is important for the government to develop a better understanding of the challenges and issues that face the industry. These issues include technologies that change very quickly (digital), legal issues, business models, intellectual property, censorship, highly interdisciplinary nature, etc. Greater dialogs with local industry (17) are a good first-step. Establishing an industry advisory group is another. Creating a unit within the government (such as the film

services unit) will also enable the government to react quicker and make Hong Kong more competitive internationally.

Views on the Measures adopted

14. The measures outlined in the response paper from ITBB (e.g., training programs, ITF, Cyberport, SME programs, efforts to protect IP, etc) were known to the author prior to the drafting of the original position paper. They reflect the efforts by the government to support the film and IT industry, technology innovation, and the development of SMEs in a very broadly. The original position paper was written to address the specific needs unique to digital entertainment that were not addressed by currently existing initiatives and to highlight the potential opportunities (and impact to sectors other than entertainment and IT) and directions for Hong Kong. Many key issues in the original position paper were not addressed, for example: leveraging low cost production in China, topics that “fall between the gaps” between support programs and interdisciplinary projects that span several or government agencies (e.g., coordinated production across industries), the development of a professional infrastructure for long-term growth, and most of all, a need for the government to recognize that digital entertainment (not just film or IT) is vital to Hong Kong’s future and to create a plan that ensures Hong Kong’s success in the near term and for years to come.

The broad and flexible nature of the existing programs (e.g., training programs, ITF, Cyberport, SME programs, etc.) provide an opportunity for the government to begin a program to stimulate the development of the digital entertainment industry, while investigating longer term initiatives. Funding programs such as the ITF occasionally solicit research projects for specific areas, digital entertainment could be made an initiative. Similarly, training programs and SME funding programs can also target digital entertainment companies. UGC could allocate additional student numbers and research funding for digital entertainment programs. An incubation program could be established specifically for digital entertainment in the Cyberport or the Science Park. The government could raise the awareness and consciousness of digital entertainment through promotional campaigns such as the Digital 21 initiative. There are many actions the government could very quickly take that would send a clear message to industry and academia by simply placing strategic importance to the area of digital entertainment within its existing programs. We urge the government to take action. We also urge the government to take a further step and support a more detailed investigation to define policies and concrete actions that ensure that Hong Kong’s success in developing the digital entertainment in Hong Kong. As a regional leader in traditional entertainment, success is ours to lose.