HONG KONG DIGITAL ENTERTAINMENT ASSOCIATION

December 21, 2006

Response to the Digital 21 Paper

As representatives of the digital entertainment industry, the Hong Kong Digital Entertainment Industry (HKDEA) and its members are extremely pleased to see the government's efforts in updating the Digital 21 Policy. In recent years, information technology has and continues to make rapid advancements on nearly all fronts. The Internet for many has become an unremarkable and essential fact of life. In many ways, Hong Kong continues to be an early adaptor and on the forefront of applying new technologies into nearly all facets of life. As technology innovation and its adoption into society continue to outpace government policy and legal reform, it is imperative that the government keep abreast with current global developments.

As most of our members are content creators, we are very enthusiastic about the government's commitment towards providing focused support towards the development of digital content. Towards this, we offer the following comments:

1) **Digital Rights Management does not address Hong Kong's shortcomings in supporting the development of digital content.**
   Global technology development trends tend increasingly toward empowering the consumer. The distribution of media and citizens' relationship to content is changing. New opportunities are in developing new distribution models and services that exploit today's consumer trends. Examples of new models include YouTube (which was recently acquired by Google for $1.65B USD) and other Web 2.0 services such as Flickr and MySpace. In these cases, despite the IP violations by their users, major media corporations have not shut them down. Rather, they now depend upon them to promote their content. Hong Kong's remaining content creation companies have had to develop survival skills after years of piracy.

2) **Government departments across technology, education, and the arts should work towards a common vision of supporting the creation of compelling content.**
   Digital content today is more about compelling content than technology. Establishing infrastructure such as Cyberport's Digital Media Center and Incutrain programs provide equipment and space, but do little to address the issues that face companies working towards developing compelling content. Hong Kong screenwriters earn a fraction of what their Hollywood counterparts earn. Hong Kong's literary community is also similarly underappreciated. Local production companies who cut their teeth working on outsource projects do not have adequate resources to develop their own content. Local companies lack the market research (e.g., demographics, tastes, trends) and research infrastructures (e.g., focus group studies) available in other content developing countries. Hong Kong ranks ninth in terms of arts expenditure per capita by international comparison (http://www.hkadc.org.hk/en/infocentre/research/report_20000715_cs). With the increasing interdependency between technology and content it becomes imperative for Hong Kong government organizations across different bureaus to address the content issue. Other regional players such as Korea, Taiwan, and Singapore provide support for content creators. They also fund the development of creative talents by supporting design and new media programs within their Universities. In Hong Kong, funds have been established by the Innovation Technology Commission (ITC) support the development of new technologies and the DesignSmart initiative has also set aside a fund to promote design, but both fall short in directly supporting creative IP development.

3) **In addition to the need to encourage "ethical" consumers that respect intellectual property, it is also very important for the government to promote the "Ethical" applications of media in society.**

Media has a direct and immediate impact on culture. Unfortunately, the global market has rewards media companies that create content that appeals to the primitive emotional instincts of sex and violence. While there may be immediate financial gains, there are also long-term consequences in society. Just as sustainable development is a priority for most governments around the world, the government should also encourage the creation of ethical content. Potential dangers lurk with new technology innovations. In the United States, for example, new media enables new forms of viral and undercover marketing are not regulated like traditional advertising (e.g., outdoor advertisement and television). These loopholes are easily exploited by industries such as the tobacco and alcohol industries.

4) **It is imperative that the Hong Kong government at least track regional government activities, and at best develop a strategy and vision to support the competitiveness of the local digital entertainment industry and attract more international companies.**

While Hong Kong is traditionally recognized as the "Hollywood of Asia," other regional players are emerging with strong and concerted support from the government, industry, and local investment communities. In the seven years since the government established KGDI, Korea has emerged an international player in the video game development. Singapore has attracted international companies from the US and Japan with government incentives to support local manpower costs. China also attracts international companies including Hong Kong production companies with its establishment of "Game and Animation" bases throughout the country and production financing guarantees. The Malaysian government also offers similar production financing guarantees. Countries around the world have established tax shelters for film funds, provided a percentage of the work is done within their country. New government incentive programs established by regional players make it increasingly difficult for Hong Kong companies to remain competitive without similar support.

We hope that these points will be considered in your continual review of the Digital 21 Policy.

Sincerely,

Gino Yu (Dr.)
Chairman, HKDEA
Associate Professor
Director of Digital Entertainment and Game Development
Hong Kong Polytechnic University, School of Design