

For discussion
On 12 November 2001

**Legislative Council Panel on
Information Technology and Broadcasting**

**Revision of Fees under
the Film Censorship Regulations (Cap. 392 sub. leg.)**

PURPOSE

This paper seeks Members' views on the proposal to reduce the fees prescribed in the Film Censorship Regulations (FCR) (Cap. 392 sub. leg.).

BACKGROUND AND ARGUMENT

2. Fees in respect of the following matters are prescribed in the FCR –
- (a) Under the Film Censorship Ordinance (FCO) (Cap. 392), films intended for public exhibition have to be approved by the Commissioner for Television and Entertainment Licensing, who is the Film Censorship Authority (FCA). Films may either be classified under section 10 or be exempted from classification under section 9 of the FCO, and certificates of approval or certificates of exemption will be issued as appropriate. Fees are charged for the issue of these certificates.
 - (b) Sections 15B and 15K of the FCO require packaging of Category III videotapes or laserdiscs and advertising materials for Category III films to be submitted to the FCA for approval. Under section 15K, advertising materials for films which have not been given a classification or have been given a classification other than Category III may also be submitted for approval on a voluntary basis. Upon payment of fees, relevant certificates will be issued as appropriate.

- (c) Fees are payable for the issue of replacement certificates under section 25 of the FCO.
- (d) Section 29A of the FCO requires the FCA to maintain a repository to keep relevant videotapes or laserdiscs, packaging of Category III videotapes or laserdiscs, and film advertising materials. Fees are payable for viewing items kept in the repository.

Fees in respect of the above matters were last revised in December 1996.

3. It is Government policy that fees should in general be set at levels sufficient to recover the full costs of providing the services. Costing reviews are normally conducted every four years. The result of a recent costing exercise in 2001-2002 for the fees payable under the FCO reveals that some fees are above cost recovery level and there is scope for reduction. A cost computation statement prepared by the Television and Entertainment Licensing Authority (TELA) is at Annex A.

4. To maintain cost recovery at 2001-02 prices and using latest workload statistics as the basis for computing the fees, we propose to reduce the fees by 3% to 78%, except for censorship fee for a still film, exemption fee for any film other than a still film (per minute of running time or part thereof) and fee payable for advertising material under section 15K. We propose no change in respect of these three fees as there has been no application for censorship of a still film for the past three years while the other two fees are currently at (not above) full cost recovery level. Details of the existing and proposed scale of fees prescribed in the FCR are set out at Annex B.

EFFICIENCY INITIATIVES

5. TELA has been mindful of the need to improve efficiency and cost-effectiveness of its services. The censorship procedures are regularly reviewed to minimize the manpower required. As a result, FCA is able to meet additional workload and comply with its performance pledge within existing resources.

FINANCIAL AND STAFFING IMPLICATIONS

6. The fee proposal will lead to a reduction in revenue of about \$334,000 per annum. There are no staffing implications.

ECONOMIC IMPLICATIONS

7. The proposed fee reductions will reduce costs for the release of films. It is expected that the proposal would be welcomed by the film industry. For example, for a 90-minute feature film, the censorship fee will be reduced from around \$7,000 by about 8% to \$6,480.

PUBLIC CONSULTATION

8. TELA has consulted the six major associations representing the film and video industries on the fee proposal. One of them has asked for a further reduction of the censorship fee for any film other than a still film (per minute of running time or part thereof). We have explained to them that the proposed fee is only set at a level sufficient to recover the full cost of providing the service.

WAY FORWARD

9. We plan to table the Film Censorship (Amendment) Regulation setting out the fee reduction proposal at the Legislative Council in December 2001 and, subject to negative vetting, bring the revised fees into effect in January 2002.

COST COMPUTATION

Television and Entertainment Licensing Authority Fees payable under the Film Censorship Regulations

Cost at 2001-02 Prices

	(1)	(2)	(3)
	\$	\$	\$
Staff Costs	3,688	7,326,269	401,088
Departmental Expenses	167	376,550	21,126
Accommodation Costs	371	1,366,462	46,458
Central Administrative Overhead	386	767,538	42,020
Depreciation	-	51,125	7,850
Film Survey	-	325,000	-
Total	4,612	10,212,944	518,542
Estimated number of cases for 2001-2002	138	141 000 (minutes)	20 000 (minutes)
Unit cost at 2001-2002(\$)	33	72 (per minute)	26 (per minute)
Proposed fee with effect from January 2002 (\$)	33	72	26
New cost recovery rate	100%	100%	100%

Legend

- (1) Exemption fee for a still film
- (2) Censorship fee for any film other than a still film (per minute of running time or part thereof)
- (3) Exemption fee for any film other than a still film (per minute of running time or part thereof)

COST COMPUTATION

Television and Entertainment Licensing Authority
Fees payable under the Film Censorship Regulations
Cost at 2001-02 Prices

	<u>(4)</u>	<u>(5)</u>	<u>(6)</u>
	\$	\$	\$
Staff Costs	133,403	72,704	100
Departmental Expenses	6,973	3,699	2
Accommodation Costs	14,697	16,695	25
Central Administrative Overhead	13,976	7,617	11
Depreciation	-	-	13
Total	<u>169,049</u>	<u>100,715</u>	<u>151</u>
Estimated number of cases for 2001-2002	397	725	-
Unit cost at 2001-2002(\$)	426	139	151
Proposed fee with effect from January 2002 (\$)	425	140	150
New cost recovery rate	100%	100%	100%

Legend

- (4) Fee payable for Category III videotape/laserdisc packaging
- (5) Fee payable for advertising material under s.15K
- (6) Fee for viewing or inspection of videotape, laserdisc, packaging or advertising material in the repository (per 2-hour period or part thereof)

Revision of Fees under the Film Censorship Regulations

Description	Existing	Proposed	Decrease	
	Fee (\$)	Fee (\$)	\$	%
a. Censorship fee for a still film	22	22*	-	-
b. Exemption fee for a still film	34	33	1	2.94%
c. Censorship fee for any film other than a still film (per minute of running time or part thereof)	78	72	6	7.69%
d. Exemption fee for any film other than a still film (per minute of running time or part thereof)	26	26	-	-
e. Fee payable for Category III videotape/laserdisc packaging	440	425	15	3.41%
f. Fee payable for advertising material under s.15K	140	140	-	-
g. Fee for viewing or inspection of videotape, laserdisc, packaging or advertising material in the repository (per 2-hour period or part thereof)	670	150	520	77.61%
h. Fee for the issue of a replacement certificate	170	140[#]	30	17.65%

Remarks:

* As there has been no applications for this item for the past three years, we propose to freeze the fee.

The fee is pegged to official signature fee.