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6 June 2006

Ms. Debbie Yau  
Subcommittee on the  
Broadcasting (Revision of Licence Fees) Regulation 2006  
Legislative Council  
8 Jackson Road  
Central  
Hong Kong

Dear Ms. Yau,

**Broadcasting (Revision of Licence Fees) Regulation 2006**

Thank you for your letter of 30 May 2006.

We are pleased to attach our views on the captioned and should be grateful if you would distribute our paper to Members of the Subcommittee for their consideration.

Thank you.

Yours sincerely,  
Hong Kong Cable Television Limited

Desmond S.H. Chan

Encl.



**Submission by Hong Kong Cable Television Limited**  
**to the Subcommittee of the Legislative Council**  
**on Broadcasting (Revision of Licence Fees) Regulation 2006**

**Introduction**

Hong Kong Cable Television Limited (HKCTV) welcomes the opportunity to submit its views on the above regulation.

**Grounds of Opposition**

HKCTV opposes the proposed increase of licence fees on the following grounds:-

1. In the past few years, various licence fees and government charges for certain sister industries were reduced<sup>1</sup> after the regulators had adopted measures to substantially simplify the administration of the relevant licences or regulation. In our view, increasing the television broadcast licence fees without first reviewing the underlying licence administration is not appropriate. We trust there is room to reduce our licence fees if similar simplifying measures are applied to the television industry.
2. In its recent consultation document, the Government has proposed to establish the Communications Authority (“CA”) to oversee, inter alia, the regulation of television industry from as soon as 2007. It is anticipated that the CA could substantially cut our licence fees via organizational reform and deregulation.
3. Currently television licensees are often required to deal with different personnel of TELA and OFTA respectively in relation to the same matter (e.g. filing of routine business or operation information of the licensees). As soon as the CA is formed, the Broadcasting Division of TELA and OFTA will be amalgamated. Provided that the amalgamated entity adopts an organization structure and operation system that is simple and effective, all the current overlapping and cumbersome structure which places unnecessary burden on the licensees will be eliminated.
4. Now that the television market, as well as the telecommunications market, is fully opened, we would expect the involvement of the regulators to diminish over time. One of the primary purposes of the regulatory bodies is initially to manage the broadcasting and telecommunications sectors because, for various reasons, it is not possible to have full and open competition within those sectors. However, within recent years there have been huge strides made to open-up the sectors to greater competition and as a result there should be less need for regulatory involvement. (Indeed the objective of any regulatory body should ideally be to do themselves out of a job.) In its consultation paper on the

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<sup>1</sup> Please see the attached Appendix for examples of fee reductions.



establishment of the CA, the Government touched on the general paradigm shift from active regulation based on detailed rules to a more relaxed approach with emphasis on fair competition. The light-handed approach should undoubtedly bring a drop in administrative costs and expenses. Ofcom in the UK, for example, is planning a 5% per annum reduction in expenditure.

5. We are particularly concerned whether it is still necessary and fair to subject the television licensees to the burdensome and stringent codes of practice in the convergent era, especially when the following factors are taken into account:-
  - (a) Hong Kong has a set of sophisticated statutes against showing or transmitting objectionable materials to the public. Like other media, television licensees are bound by these statutes and their viewers are therefore protected.
  - (b) Many complaints to the Broadcasting Authority against the television licensees are frivolous, vexatious or otherwise unsubstantiated. Despite this, under the existing regulatory regime, both the regulator and the licensees are required to deal with such complaints. Valuable resources, which could have been spent for a more meaningful purpose, have therefore been wasted.
  - (c) Unlike licensed television services, the emerging electronic media (for instance IPTV, hand-held devices or indoor and outdoor video-walls) are not required to comply with the detailed (to the extent of, for example, controlling where and for how long a programme classification symbol should be displayed) and expensively monitored codes of practice on contents. Take, for example, Hong Kong Broadband's IPTV service. Though it provides television programmes (a number of which are identical to those provided by licensed television service providers) for viewing on television sets, it is "exempted" from observing these codes of practice. The viewing public seems to have no strong objection to this. There is also no indication that the regulator intends to place such service under the same stringent game rule as that of broadcasting licensees.

We are of the view that in the convergent era, the CA should rely on the industry's self-regulation and review the validity of the current stringent codes of practice and associated complaints investigation procedure thereby reducing the licence fees payable by the licensees.

6. Operating pressure of the broadcasting and telecommunications service licensees has been heightened in recent years by skyrocketing costs and investments (network upgrades, programming and talent costs in particular) brought about by intense competition after opening up of relevant operating markets. We anticipate that in the convergent era, this operating pressure will continue to escalate as the television licensees will compete with not only one another but also the rest of the electronic communications sector. Resources of the licensees are limited. It will benefit the viewing public more if the licensees



could deploy their resources to enhance services to meet challenges brought by convergence than to sustain a sophisticated yet expensive regulatory regime.

### **Conclusion**

On the basis of the aforesaid, we would respectfully urge that the proposed increase of television broadcast licence fees be withheld, with the issue of fee levels being examined in the context of the forthcoming plan for a converged regulatory regime.

Hong Kong Cable Television Limited  
June 2006



## Appendix

(Reduction of Licence Fees/ Government Charges)

### Telecom Sector

May 1999	PRS licence fee reduced from \$75 to \$55
May 2000	PRS licence fee reduced from \$55 to \$30
May 2002	PRS/ PNETS/ mobile carrier licence fee reduced from \$30 to \$24
May 2003	Fixed carrier licence fee reduced from \$1m to \$0.5m
May 2004	Fixed carrier licence fee reduced from \$0.5m to \$0.2m PRS/ PNETS/ mobile carrier licence fee reduced from \$24 to \$20
May 2005	PRS/ PNETS/ mobile carrier licence fee reduced from \$20 to \$18

### Film Sector

Jan 2002	Five fee items relating to the release of films reduced by 3% to 77.6% under the Film Censorship Regulations
June 2005	Licence fees for producing special effects in film production and entertainment programmes reduced by 7.1% to 10.7%