



CB(1)1689/05-06(03)

The Honorable Mr Sin Chung-kai, JP  
The Chairman  
Subcommittee on Broadcasting (Revision of Licence Fees) Regulation 2006  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

5 June 2006

Dear Mr Sin,

Broadcasting (Revision of Licence Fee) Regulation 2006

We appreciate the House Committee's decision in setting up the Subcommittee to review the Broadcasting ( Revision of Licence Fee) Regulation 2006.

Additional to the submission made to the House Committee on 18 May 2006, we would like to provide further comments for the consideration of the Subcommittee in its deliberation of the proposed licence fee revision :

1. The Commerce Industry & Technology Bureau has already started the consultation process on the merger of the Broadcasting Authority (BA) and the Telecommunications Authority . The estimated timeframe for tabling the relevant bill to the Legislative Council would be around November 2006. It is therefore reasonable to anticipate that the unified regulator will be established in 2007 i.e. likely to be less than one year from now. The imminent merger will likely bring fundamental changes to the costing structure of the BA and Television and Entertainment Licensing Authority (TELA) offsetting the need for licence fee increase. During this interim period, the current licence fee should be frozen, pending the establishment of the unified regulator, to avoid another licence fee adjustment within a short time frame.
2. The Administration notes that the fixed fee reflects the costs incurred by general licence administration including the preparation and regular revision of codes of practice issued by the BA and that the variable fee primarily reflects the costs of handling complaints.




We understand that in 2005-2006 TELA expended significant resources on the firewall complaints. Such an increase in cost should have been absorbed as the 'variable' cost, re-coverable via the increasing subscriber-based 'variable' licence fee contribution. Therefore, the increase in such complaints should not have affected the 'fixed' cost component, on which an 11.8% increase is currently proposed.

As to why there is an 11.8% proposed increase in the 'fixed' cost, there is little information available to justify the proposal. Transparency calls for disclosure of cost breakdown information in greater and sufficient detail to assess the cost allocation for the 'fixed' and 'variable' cost components as well as the composition of the cost entries currently listed by the Administration.

3. In the analysis of the costing computation of TELA, a year-on-year comparison would facilitate the assessment of the reasons for the cost increase. This would help to reflect whether there is any trend of cost increase, any area of cost reduction, any room for higher cost efficiency and perhaps also whether there was any surplus in previous year(s) that could cover the cost increase in 2005-6.

Once again, we thank the Subcommittee for reviewing the matter to ensure that the licence fee increase, if at all, is fair, equitable and fully justified.

Yours sincerely



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