

Submission
of
PCCW Media Limited
on
Public Service Broadcasting Review
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PUBLIC SERVICE BROADCASTING REVIEW

I. Introduction

PCCW welcomes the opportunity to submit its comments to the Information Technology and Broadcasting Panel of the Legislative Council on the Public Service Broadcasting Review.

The review on public service broadcasting (PSB) is timely as the past reviews are not well documented and were conducted as far back as in 1986 and 1998. It is also the case that the broadcasting industry in Hong Kong has experienced significant changes in the last several years. These changes are on both the technology side as well as on the supply side. Indeed, these changes are not confined to broadcasting but also include other avenues to disseminate information and ideas on both a local and global basis. Thus, unlike twenty or even ten years ago, consumers have additional choices as to content suppliers, more content to choose from, and at various charge levels (or perhaps even free).

To capture the benefits of some of these changes, the Hong Kong Government made timely amendments to the legislative framework by the repeal of the Television Ordinance and the enactment of the Broadcasting Ordinance in 2000. These amendments have effectively liberalised the broadcasting market, adopted the technology neutral approach and streamlined the licensing regime. How these and other changes have affected the choices available to consumers, and the roles of the broadcasters and PSB in Hong Kong, now needs to be examined carefully in a forward looking review.

Historically, PSB has served a unique and important role in Hong Kong. It has fulfilled a critical mission through broadcast and radio channels in a way that has served Hong Kong well. PSB's emphasis has been on local production and public service, and indeed its many well recognized and award-winning programs have proved that its productions are of outstanding quality and interest to local audiences.

However, whenever the public purse is accessed it is appropriate to periodically ask whether the reasons given for the expenditure still exist, whether new reasons now exist, and/or whether the market can alternately (in whole or in part) satisfy the identified public purpose. PCCW assumes that in general marketplace solutions are to be preferred. If the identified public purpose cannot be met by the market in a manner satisfactory to society, the public purse may be accessed. But even then a second set of issues arises as to whether the public sector can and should bear these costs. These issues relate to the importance of the matter, the estimated costs and benefits, the viability and practicability of the existing/proposed solution (e.g., publicly financed programming), and various implementation and policy matters.

II. PSB in Hong Kong

There are two types of broadcasters in Hong Kong – publicly funded PSB and commercial broadcasters. Other than RTHK, all other television and radio broadcasters are commercial.

Commercial broadcasters are economic entities and are likely to be primarily driven by revenue, profit and/or margin considerations. Their programming will reflect management's view on how to obtain that result. The role of PSB is quite different. PSB was established in 1928 at the time when there was no commercial broadcast alternatives. The Government found that there was a clear need for a PSB as an agent to inform, educate and entertain the public.

The mission¹ of PSB is formulated as follows:

- a. inform, educate and entertain audiences through multi-media programming ;
- b. provide timely, impartial coverage of local and global events and issues ;
- c. deliver programming which contributes to the openness and cultural diversity of Hong Kong ;
- d. provide a platform for free and unfettered expression of views; and
- e. serve a broad spectrum of audiences and cater to the needs of minority interest groups.

The corresponding objectives¹ of PSB's television services are to:

- (a) provide high-quality television productions principally for market segments not adequately served by commercial television broadcasters;
- (b) continue the prime time transmission arrangements with the commercial stations;
- (c) give emphasis to the provision of balanced and objective public affairs programming;
- (d) provide a channel of communication for different sectors of the community and the Government to put forward their views on matters of public interest;
- (e) give emphasis to productions in Chinese;
- (f) maintain and develop programming to encourage audience participation and community involvement; and

¹ Framework agreement between secretary for commerce, industry and technology and director of broadcasting (section 4.2)(2005)

- (g) provide programming designed for minority interest groups, including productions fostering interest in culture, music and the arts.

As indicated above, PSB has made important contributions to Hong Kong. These contributions parallel the contributions made by other public broadcasting institutions around the world. The above ‘mission’ and ‘objectives’ would still appear to be relevant. However, the specific programming direction of PSB and what it needs to do going forward is rightly the focus of the Review.

III. The Evolution of the Market ...PSB’s Future Role

In the course of time, an increasing number of broadcasters and other suppliers of content have entered the market. These include television, radio, print, the internet, cellular, etc. As to broadcasting, non-PSB suppliers of content, including commercial broadcasters (i.e. radio and television; pay and free-to-air), have penetrated into different social and economic segments, gained substantial market share and have become in whole or in part substitutes for both PSB content and transmission to consumers.

In determining the future role of PSB, PCCW would suggest that the following threshold questions be asked:

1. What exactly does Hong Kong want to obtain from its providers of content (both radio and television). The answer to this question may be rooted in the past reviews and analyses, but the answer must be primarily forward looking. Vague generalities as to ‘global bests’ or a wide spectrum of ‘program genres’ likely do not help in the ultimate analysis. While the PSB mission statement and objectives likely remain relevant, the question raised here is content specific.
2. Is there a ‘deficit’ between what is desired and what is (or likely could be) obtained from the market, including both licensed commercial operators and other sources of content which may not be licensed by the Broadcasting Authority (e.g. such as the internet and the print medium)?

What is that deficit? Can that deficit be provided by PSB? Is that deficit being provided by PSB? If not, why not and could the PSB efficiently and effectively fill that programming vacuum? If so, is it being provided efficiently and effectively? Would that deficit be provided by commercial operators but for PSB, and if so would that provision (including charges) respond to the deficit?

3. Will the market provide a satisfactory solution (and thus does the public purse need not be opened)? Certainly there is a preference for market-place solutions. However, this is not a theoretical question where the answer is always 'yes'. Indeed, the market may provide a solution but the timing, quality, availability and/or price may not be satisfactory from a public policy point of view.
4. And if the market cannot provide a satisfactory solution, can a satisfactory solution be provided by the public purse... can a satisfactory solution be provided in an affordable and reasonable way that includes appropriate programme quality, costs, management, etc.

In the past, multiple niche markets may not have been sufficiently addressed by the existing commercial broadcasters. This may have been due to limited channel quantities or the economics of serving niche markets. The PSB mission such as education (as in item a. above), cultural diversity (as in item c. above), unfettered expression of views (as in item d. above) and catering for minority interest groups (as in item e. above) were very likely not economically attractive to the commercial broadcasters operating over very limited number of channels for the mass market.

Accordingly, niche programming however defined has traditionally not been identified with commercial broadcasters. Indeed, it has been the case in the past that niche programming has been supplied by PSB. Such niche programming may range from classical music and children/education to specialized current affairs programs and unique entertainment. However, the advent of pay television systems like Now Broadband TV has changed this. Such systems

have the capacity to carry several hundred channels, and thus niche programming has the potential to become available to users via dedicated channels. Such programs may be available 24 x 7, may be imported from another market, may be in another language and may very well surpass the modest (but appreciated) efforts of RTHK.

IV. The PSB mission and objectives – are they being met today?

The need for PSB to provide any specific type of programming will depend on what programming ‘deficit’ the Review discloses. It may be that certain areas are now being satisfactorily addressed by the market. It may be that others are not. It may also be that new areas are emerging that are not being satisfactorily addressed (and are not likely to be satisfactorily addressed) by the market.

V. The link between the programming deficit and the public

The community needs to address these issues with an open mind. There is nothing to fear if the role of PSB changes (i.e. either expands or contracts), becomes more focused, or if RTHK becomes more of a content library to meet the programming deficit. This is what a forward looking review would analyze and determine.

RTHK does not have its own carriage platform to broadcast its television productions. At the current time, it relies mainly on the commercial free-to-air (FTA) broadcasters to bring its television productions to the community. Yet, FTA is no longer the sole mechanism to deliver broadcasting content². The pay TV market serves over 1 million subscribers in total. Now Broadband TV in just over two years has created a unique IPTV platform with over 100 channels and 500,000 subscribers. Accordingly, if RTHK is to provide a universal and accessible service to the public it cannot and should not continue to rely mainly on the FTA broadcasters. Logically, RTHK should work with both FTA and pay TV operators to meet its mission and objectives. Indeed, with an abundance of

² And as noted above, non-broadcasting avenues also exist such as the internet.

channels it is the pay TV operators that can best use RTHK content and help RTHK best meet its mission and objectives.

We would note the following in considering the mission of PSB and the role that pay TV operators can play in meeting those mission related objectives:

1. Free television is no longer the only pervasive media to reach the public. Indeed pay television, with a household penetration rate of about 50%, now plays a significant role in the viewing habits of Hong Kong people.
2. The frequency that the RTHK productions can get aired on the free televisions is fundamentally constrained by the limitations in the airtime and channel quantity of the broadcasters. Pay television licensees are well-positioned to carry the RTHK television productions. PCCW's Now broadband TV is provided on an IPTV platform and, unlike the domestic free television licensees, its channel quantity is not dependent on frequency spectrum availability or constrained by the limited air time. With over 100 channels, now in use and a system capacity is several times that number, PCCW can offer the public a new avenue to access RTHK content.
3. A widened content distribution platform provided by PCCW enables Hong Kong to maximize the utility of the RTHK (i.e. taxpayers) production investment, to maximize the broadcast opportunity for the RTHK productions (both current and archive), and to enrich the public viewing experience. All these positive results are achievable to Hong Kong to meet any programme deficit at no real incremental cost to RTHK.
4. If PSB is funded to produce content for the community and to have that content seen/heard by the community, then pay TV licensees may have an important role to play in meeting that objective. Certainly PCCW would be willing to broadcast RTHK content, thus helping RTHK meet its responsibilities to those who fund its work.

5. Pay TV broadcasters should generally not be treated differently from the free-to-air television broadcasters in terms of access to the RTHK programs. Free access to RTHK productions by PCCW would serve to expand the accessibility of RTHK content to all viewers in Hong Kong. Discrimination should not be practiced by entities funded by the public.

VI. Other Issues

PCCW supports the view that editorial independence is essential to the success of PSB. Freedom of expression should continue to be respected in all broadcasting productions. PSB's specific remit should be to operate independently of economic, social and political influence. This should be the case regardless of any future changes to the role/programming, structure or management of PSB.

VII. Conclusion

PCCW's commitment to the community is well proven by its solid investment record in its voice, broadband, mobile, media and content businesses. As the fastest growing pay television service provider in the Asia Pacific Region, PCCW looks forward to further participating in this Review and to ensure that PSB in Hong Kong is well focused, produces benefits to users in an efficient manner, and is the best it can be.

Respectfully submitted by PCCW Media Limited