

## **LEGISLATIVE COUNCIL BRIEF**

### **Telecommunications Ordinance (Chapter 106)**

#### **Application for a Sound Broadcasting Licence by Wave Media Limited**

### **INTRODUCTION**

At the meeting of the Executive Council on 9 July 2008, the Council ADVISED and the Chief Executive ORDERED that –

- (a) having considered the recommendations made by the Broadcasting Authority under section 13C(1) of the Telecommunications Ordinance, the application by Wave Media Limited for a sound broadcasting licence for a validity period of 12 years under section 13B of the Telecommunications Ordinance should be approved in principle; and
- (b) the sound broadcasting licence to be granted to Wave Media Limited should be prepared and submitted to the Chief Executive in Council for approval.

### **JUSTIFICATIONS**

#### **Licensing Regime for Sound Broadcasting Services**

2. The licensing regime for sound broadcasting services is set out in Part IIIA of the Telecommunications Ordinance (Cap. 106) (the Ordinance). In sum, an eligible corporation may apply for a licence to establish and maintain a sound broadcasting service and the Broadcasting Authority (BA) has to consider such application and make recommendations thereon to the Chief Executive in Council (CE-in-Council), who is the authority in granting a licence. Having considered BA's recommendations,

the CE-in-Council may grant a licence to the applicant subject to the terms and conditions he may specify.

### **Application by Wave Media Limited**

3. Wave Media Limited (the applicant) submitted an application for a sound broadcasting licence of 12 years on 7 January 2008. Further supplementary information was provided on 14, 16 and 29 May and 3, 6 and 12 June 2008. The applicant applies for establishing and maintaining a 24-hour Cantonese language radio channel with broadcast by means of Amplitude Modulation (AM) technology at the frequency of 810 kHz. The service it proposes aims to provide information and knowledge about Hong Kong, the Mainland and the world, through the production of a diversity of knowledge-based programmes. A summary of the application is at **Annex**.

Annex

4. Spectrum is a scarce public resource which should be put to full effective use. The AM frequency under application is the only one remaining for territory-wide sound broadcasting service in analogue format, receivers of which are generally more economical. It is in the public interest to grant a licence to a corporation with sound management, financial and technical capability as well as the commitment to invest in local broadcasting industry and provide quality radio programme service to the local audience.

5. The BA considered the application according to section 13C of the Ordinance and under the established criteria which the BA has adopted for assessing applications for sound broadcasting licence. In considering the case, the BA has also taken into account the public views it earlier received about the application.

6. The assessment of the application covers the following areas: statutory requirements, the management, financial, programming and technical proposals of the application and the benefits to overall broadcasting industry and Hong Kong economy:

- (a) **Compliance with statutory requirements:** the application is in compliance with the relevant provisions under the Ordinance, including those relating to Hong Kong residency requirement as well as cross-media ownership restrictions;

- (b) **Management capability:** with a board of directors and a management team which include veterans of the broadcasting and media industries, the proposed service would be managed by personnel with relevant expertise and experience capable of ensuring compliance with the relevant sound broadcasting regulatory requirements;
- (c) **Financial capability:** the applicant has secured funding of \$140 million to meet the financial requirements of its operation. Moreover, the shareholders are individually and collectively persons with strong and distinguished financial standing. The applicant should be financially capable of establishing and maintaining the proposed service;
- (d) **Programming proposal:** the applicant proposes to produce locally 168 hours Chinese language programmes per week (i.e. 24 hours round-the-clock service seven days a week), comprising 30 hours of news and financial market updates, 20 hours of public affairs and commentary, 30 hours of knowledge and educational programmes, 30 hours of programmes on lifestyle and trends, 30 hours of programmes promoting society harmony and 28 hours of music. The applicant also pledges to provide a platform for free flow of information and equal opportunity for people to freely express their views and opinions;
- (e) **Technical proposal:** the applicant proposes to construct a new transmitting station at Peng Chau and broadcast its channel territory-wide at the frequency of AM 810 kHz, and has plans to employ technical staff and engage consultants as necessary to construct and maintain the transmission network. The applicant voluntarily commits to provide a \$2 million performance bond to safeguard the necessary construction of the transmission network and the rollout of service within 24 months from the grant of licence; and
- (f) **Benefits to overall broadcasting industry and Hong Kong economy:** the applicant submits that through its proposed service, it would contribute to Hong Kong's economy in terms of job creation, stimulating changes to existing broadcasting programming and operation style thereby upgrading overall broadcasting standard, promoting research and development of

new broadcasting technology and training new broadcasting talents. The launch of a new sound broadcasting service could bring about positive gain to the broadcasting industry of Hong Kong by promoting competition and increasing programming choices.

On the basis of the assessment detailed above, the BA recommends to the CE-in-Council that the application be approved. Having considered the recommendations made by the BA, the CE-in-Council approved the application in principle. The licence to be granted would be prepared and submitted to the CE-in-Council for approval.

## **IMPLICATIONS OF THE PROPOSAL**

7. The proposal is in conformity with the Basic Law, including the provisions concerning human rights. The proposal has no civil service implication. It will bring about positive gain to the broadcasting industry of Hong Kong. It is conducive to the sustainability principle of achieving a competitive and prosperous market-based economy to meet the aspiration of the population.

8. As for economic implications, a new sound broadcasting licensee will introduce competition and capital investment to the commercial sound broadcasting market in Hong Kong. Besides generating additional employment opportunities, the proposed service can be expected to stimulate changes to the existing broadcasting programming and operation style, thereby upgrading overall broadcasting quality. Also, the applicant's continuous business operation will be conducive to widening audiences' programme choice, enhancing development of the local broadcasting industry as a whole.

9. As for financial implications, the new licensee will be required to pay an annual licence fee calculated on a full-cost recovery basis. The annual licence fee for the existing sound broadcasting licences is \$3.4 million each in 2007-08, which comprises a fixed component and a variable component, the latter relating to the number of radio channels run by the licensee. The new licensee should therefore be subject to an annual fee of a lesser amount as it only operates one channel as compared with three each for the existing licensees. The exact amount of annual fee would be set out in the licence. The additional workload arising from the administration of

the new licence will be absorbed by the Office of the Telecommunications Authority and the Television and Entertainment Licensing Authority.

## **PUBLIC CONSULTATION**

10. The BA issued a notice and a summary of the application to invite public views from 26 February to 17 March 2008. A total of 57 responses were received. The majority of the respondents welcome the introduction of a new sound broadcaster. None of the submissions raises objection to the application. The BA will publish a summary of the views collected on its website.

## **PUBLICITY**

11. The Administration will issue a press release today. A spokesman will be available to answer media and public enquiries.

## **ENQUIRIES**

12. For enquiries, please contact Mr Kevin Choi, Principal Assistant Secretary (A) for Commerce and Economic Development (Communications and Technology), at 2189 2236.

Communications and Technology Branch  
Commerce and Economic Development Bureau

9 July 2008

**Summary of the Application for a Sound Broadcasting Licence by  
Wave Media Limited (雄濤廣播有限公司) (“Wave Media”)**

**PART 1 : OVERVIEW**

**1.1 Principal Shareholders**

There are two types of shareholders in Wave Media, namely the Class “A” and Class “B” shareholders.

The Class “A” shareholders consists of the following nine shareholders holding in aggregate 75% of Wave Media’s shareholding: The Honourable Ronald Joseph Arculli (夏佳理) (7.5%), The Honourable Albert Jinghan Cheng (鄭經翰) (10%), Mr Morris Ho Kwok Fai (何國輝) (5%), Mr Alan Hoo, S.C. (胡漢清) (7.5%), Professor Arthur Li Kwok Cheung (李國章) (7.5%), Dr Sir David Li Kwok Po (李國寶) (7.5%), Dr William Mong Man Wai (蒙民偉) (7.5%), Dr Allan Wong Chi Yun (黃子欣) (7.5%) and Mr Wong Cho Bau (黃楚標) (15%).

The Class “B” shareholders consists of a group of minority shareholders holding 25% of Wave Media’s shareholding with no voting rights. It is planned that the Class “B” shareholders shall include management team members, key programme hosts and strategic partners.

**1.2 Directors**

The board of directors of Wave Media comprises The Honourable Albert Cheng, Mr Morris Ho, Mr Alan Hoo, Dr Allan Wong and Mr Wong Cho Bau.

**1.3 Management Team**

The management team will include a Chief Executive Officer, a Programme Director, a Chief Technical Officer, a Chief Operating Officer and R&D Director, a Sales & Marketing Director and a Head of Finance & Administration. They will all be experienced professionals in the relevant fields.

#### **1.4 Proposed service/means of transmission**

Wave Media plans to broadcast at AM810 kHz by constructing a new transmission station at a new site in Peng Chau.

#### **1.5 Proposed Investment**

Wave Media estimates that an initial total capital investment of \$49 million is required to construct the infrastructure for its operation. With total funding from its shareholders of up to \$140 million, Wave Media should have adequate financial support for its capital expenditure and anticipated initial operating expenditure.

#### **1.6 Target audience**

Audience which is interested in information and knowledge about Hong Kong, the Mainland and the world.

#### **1.7 Proposed date of launch**

24 months from the grant of licence.

### **PART 2 : BASIC REQUIREMENTS**

#### **2.1 Company Registration**

Wave Media is a company registered and incorporated in Hong Kong under the Companies Ordinance (Cap. 32) (“CO”) in 2006.

#### **2.2 Company Status**

Wave Media is not a subsidiary as defined under the CO.

#### **2.3 Memorandum of Association**

Wave Media has submitted that it is empowered under its Memorandum of Association to comply fully with the provisions of the Telecommunications Ordinance (Cap. 106) (“TO”) and the terms and conditions of its licence if granted.

#### **2.4 Unqualified persons**

Wave Media has submitted that there are no unqualified persons holding voting shares of Wave Media under section 13I of the TO.

## 2.5 Disqualified persons

Wave Media has submitted that there are no disqualified persons exercising control of Wave Media under section 13G of the TO.

## **PART 3 : ARRANGEMENTS FOR PROGRAMMES AND COMPLIANCE**

- 3.1 Wave Media aims to meet the needs of its audience who are interested in knowledge and information about Hong Kong, the Mainland and the world, through the production of a diversity of knowledge-based programmes on news and market updates, public affairs and commentary, knowledge and education, lifestyles and trends, harmonious society and music, etc. Wave Media plans to provide 24 hours daily broadcasting.
- 3.2 To ensure compliance with applicable laws, licence conditions, and codes of practice, directions and orders issued or made by the Broadcasting Authority, all programme producers and production team members will be trained to acquire detailed understanding of the regulatory requirements.
- 3.3 Wave Media will develop an interactive web-based platform which will provide feedback opportunity for the public and act as an ombudsman to represent the interests of the public to investigate and address public response to its programmes. Positive and negative comments will be channelled to the management of Wave Media. Responses and replies to complaints will be detailed on the Wave Media community website.

## **PART 4 : MANAGEMENT**

- 4.1 Each Class "A" shareholder holding (or a group of Class "A" shareholders who together hold) 9.99% of the issued Class "A" shares would be entitled to nominate one individual to act as a director of Wave Media and the total number of directors (excluding alternate directors) in Wave Media shall not exceed ten. Currently, the directors appointed are The Honourable Albert Cheng, Mr Morris Ho, Mr Alan Hoo, Dr Allan Wong and Mr Wong Cho Bau. The Honourable Albert Cheng has been elected as the Chairman of Wave Media since 21 January 2008.



He has ample experience in the media industry and was a popular radio talk show host. He was also the founder and chief executive of some publishing companies.

- 4.2 A Management Committee will be set up to oversee such matters as the Board may from time to time resolve which may include implementation of policy resolved by the Board, directions given by the Board and day-to-day operation of Wave Media. The Management Committee will comprise not less than three directors and the Chief Executive Officer, if any, from time to time appointed by the Board.
- 4.3 Wave Media plans to have five departments: Programming, Engineering, Sales & Marketing, Operations and Finance. They will be overseen by the Management Team which will be led by the Chief Executive Officer.
- 4.4 During the pre-commissioning phase, the Management Team will comprise the Chief Executive Officer, Programme Director, Chief Technical Officer and Chief Operating Officer and R&D Director. The Management Team will focus on project management tasks including the setup of broadcasting platform and programme infrastructure for the commissioning of the radio station.
- 4.5 Upon commissioning of the radio station, the Sales and Marketing Director and the Head of Finance & Administration will also be added to the Management Team. The Management Team will then focus on operation to ensure uninterrupted and quality radio broadcasting and adequate advertising income for the growth of business.

## **PART 5 : TECHNICAL AND TRANSMISSION ARRANGEMENTS**

- 5.1 Wave Media plans to broadcast at 810 kHz, a vacant frequency channel, using AM transmission.
- 5.2 Wave Media's transmission station will be located at Peng Chau about 800 metres away from the existing transmission station jointly used by Radio Television Hong Kong, Hong Kong Commercial Broadcasting Company Limited (CRHK) and Metro Broadcast Corporation Limited.

- 5.3 Wave Media has submitted that the coverage area of the Wave Media AM channel will be similar to or better than that of the existing AM864 radio channel of CRHK. The transmission power should be sufficient to cover all Hong Kong territories.

## **PART 6 : FINANCIAL CAPABILITY**

- 6.1 The funding required for meeting capital investment and operating expenditure in the initial years of operation is projected at \$76 million. The shareholders' loan of \$140 million<sup>1</sup> should be adequate to meet the financial requirements.

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<sup>1</sup> The Class "A" shareholders has agreed to provide a total shareholders' loan of \$105 million. It is planned that the aggregate amount of shareholders' loan to be provided by Class "B" shareholders could amount to \$35 million.