

立法會
Legislative Council

LC Paper No. CB(4)659/12-13
(These minutes have been seen
by the Administration)

Ref : CB4/PL/ITB/1

Panel on Information Technology and Broadcasting

Minutes of meeting
held on Monday, 4 February 2013, at 9:30 am
in Conference Room 3 of the Legislative Council Complex

- Members present** : Hon WONG Yuk-man (Chairman)
Hon James TO Kun-sun
Hon Emily LAU Wai-hing, JP
Hon WONG Ting-kwong, SBS, JP
Hon Ronny TONG Ka-wah, SC
Hon Paul TSE Wai-chun, JP
Hon LEUNG Kwok-hung
Hon Albert CHAN Wai-yip
Hon Claudia MO
Hon Steven HO Chun-yin
Hon YIU Si-wing
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK
Hon CHAN Chi-chuen
Hon SIN Chung-kai, SBS, JP
Ir Dr Hon LO Wai-kwok, BBS, MH, JP
Hon Christopher CHUNG Shu-kun, BBS, MH, JP
- Members absent** : Dr Hon Elizabeth QUAT, JP (Deputy Chairman)
Hon Cyd HO Sau-lan
Hon Mrs Regina IP LAU Suk-ye, GBS, JP

**Public officers
attending**

: Agenda item IV

Mr Gregory SO, GBS, JP
Secretary for Commerce and Economic
Development

Miss Susie HO, JP
Permanent Secretary for Commerce and Economic
Development (Communications and Technology)

Mr Joe WONG, JP
Deputy Secretary for Commerce and Economic
Development (Communications and Technology)

Mr Ivanhoe CHANG
Principal Assistant Secretary for Commerce &
Economic Development (Communications &
Technology)B

Miss Eliza LEE, JP
Director-General of Communications
Office of the Communications Authority

Mr Y K HA
Deputy Director-General (Telecommunications)
Office of the Communications Authority

Mr Danny LAU
Assistant Director (Regulatory)
Office of the Communications Authority

Ms Linda YU
Head, Competition and Economic Analysis
Office of the Communications Authority

Agenda Item V

Miss Susie HO, JP
Permanent Secretary for Commerce and Economic
Development (Communications and Technology)

Mr Joe WONG, JP
Deputy Secretary for Commerce and Economic
Development (Communications and Technology)

Mr Aaron LIU
Principal Assistant Secretary for Commerce and
Economic Development (Communications and
Technology)A

Mr Chaucer LEUNG
Assistant Director (Support)
Office of the Communications Authority

Agenda Item VI

Miss Susie HO, JP
Permanent Secretary for Commerce and Economic
Development (Communications and Technology)

Mr Joe WONG, JP
Deputy Secretary for Commerce and Economic
Development (Communications and Technology)

Mr Ivanhoe CHANG
Principal Assistant Secretary for Commerce &
Economic Development (Communications &
Technology)B

Mr Jerry LIU
Head of Create Hong Kong

Clerk in attendance : Ms YUE Tin-po
Chief Council Secretary (4)3

Staff in attendance : Ms Anki NG
Council Secretary (4)3

Miss Iris CHEUNG
Legislative Assistant (4)2

I. Confirmation of minutes of meeting

(LC Paper No. CB(4)365/12-13 -- Minutes of meeting held on 10 December 2012)

The minutes of the meeting held on 10 December 2012 were confirmed.

II. Information paper issued since the last meeting

(LC Paper No. CB(4)364/12-13(01) -- Letter from the Administration dated 24 January 2013 on the issue relating to introducing spectrum trading in Hong Kong)

2. Members noted that the above paper had been issued for the Panel's information.

III. Date of next meeting and items for discussion

(LC Paper No. B(4)364/12-13(02) -- List of outstanding items for discussion

LC Paper No. CB(4)364/12-13(03) -- List of follow-up actions

LC Paper No. CB(4)391/12-13(01) -- Joint letter from Hon Charles Peter MOK and Ir Dr Hon LO Wai-kwok dated 1 February 2013 on issues relating to the review of the Telecommunications Engineer grade in the Office of the Communications Authority)

Visit to Cyberport

3. The Chairman reminded members that the Panel would conduct a visit to Cyberport on Tuesday, 26 February 2013. The purpose of the visit was to provide members with better understanding of the Cyberport development and the facilities at Cyberport. The visit would be followed by lunch with

Cyberport Management, incubatees, students and tenants. He invited members who were interested in the visit to confirm their attendance with the Secretariat as soon as possible.

(Post-meeting note: At the instruction of the Panel Chairman, the visit to Cyberport was re-scheduled to be held on Tuesday, 19 March 2013.)

Regular Meeting on 11 March 2013

4. Members noted that the next regular Panel meeting would be held on Monday, 11 March 2013, at 2:30 pm to discuss the following items:

- (a) Radio Television Hong Kong ("RTHK")'s Community Involvement Broadcasting Service and the role and future of RTHK;
- (b) Proposal to inject additional funding into the CreateSmart Initiative; and
- (c) Issues relating to the shareholding changes of Digital Broadcasting Corporation Hong Kong Limited.

5. Ms Claudia MO recalled that a motion had been passed at the Council meeting on 28 November 2012 urging the Administration to issue additional domestic free television ("TV") programme service licences before the end of March 2013. She requested the Panel to follow up the matter. Noting that the Chief Executive ("CE") in Council would continue to process the free TV licence applications, members agreed that the Administration should follow up the matter and provide a progress report to the Panel by 31 March 2013.

Admin

(Post-meeting note: At the instruction of the Panel Chairman, a follow up letter was sent to the Administration on 7 February 2013. The Administration's updated report was circulated to members vide LC Paper No. CB(4)533/12-13(01) on 28 March 2013.)

6. Regarding the joint letter dated 1 February 2013 from Mr Charles Peter MOK and Ir Dr Hon LO Wai-kwok (issued vide LC Paper No. CB(4)391/12-13(01)) on issues relating to the review of the Telecommunications Engineer ("TE") grade in the Office of the Communications Authority ("OFCA"), members noted that the relevant issues had been discussed at the Panel meeting and the Establishment Subcommittee meeting on 9 May and 26 October 2011 respectively. Members also noted the Administration's response on the review of the TE

grade as mentioned in its follow-up paper (LC Paper No. ESC12/11-12(01)) dated 10 November 2011 and at the Finance Committee meeting on 18 November 2011. Members agreed that the discussion of the subject be scheduled at a future Panel meeting within the current legislative session. Meanwhile, the Administration was requested to provide the Panel with an update on the review of the TE grade.

(Post-meeting note: Information provided by the Administration on the review of the TE grade was circulated to members vide LC Paper No. CB(4)459/12-13(01) on 5 March 2013.)

IV. Arrangements for the frequency spectrum in the 1.9-2.2 GHz Band upon expiry of the existing frequency assignments for 3G mobile services

(LC Paper No. CB(4)364/12-13(04) -- Administration's paper on arrangements for the frequency spectrum in the 1.9-2.2 GHz Band upon expiry of the existing frequency assignments for 3G mobile services

LC Paper No. CB(4)364/12-13(05) -- Paper on issues relating to arrangements for frequency spectrum prepared by the Legislative Council Secretariat (background brief)

LC Paper No. CB(4)377/12-13(01) -- Administration's paper on arrangements for the frequency spectrum in the 1.9-2.2 GHz Band upon expiry of the existing frequency assignments for 3G mobile services (power-point presentation material))
(tabled at the meeting and subsequently issued via email on 8 February 2013)

Presentation by the Administration

7. At the invitation of the Chairman, Secretary for Commerce and

Economic Development ("SCED") briefed members on the second consultation launched by the Commerce and Economic Development Bureau and the Office of the Communications Authority ("OFCA") on 28 December 2012 concerning the proposed arrangements for re-assignment of the frequency spectrum in the 1.9 – 2.2 GHz band upon expiry of the existing frequency assignments for third generation ("3G") mobile services in October 2016. Head, Competition and Economic Analysis, OFCA then gave a power-point presentation on the subject. She advised that in formulating the options for re-assignment of the 120 MHz of frequency spectrum in the 1.9 – 2.2 GHz band upon expiry of the existing frequency assignments, the following three options were proposed in the First Consultation Paper to seek views from the industry and interested parties:

- Option 1: An administratively-assigned approach – right of first refusal to be offered to the incumbent 3G operators;
- Option 2: A full-fledged market-based approach – re-auctioning all the spectrum; and
- Option 3: A hybrid between administratively-assigned and market-based approach – right of first refusal to the incumbent 3G operators for them to retain part of the spectrum, while part of the spectrum would be returned to the Communications Authority ("CA") for re-auction.

Head, Competition and Economic Analysis, OFCA further advised that Option 3 had been proposed for further consultation with the industry and interested parties. Details of the briefing and presentation were set out in the Administration's papers (LC Paper No. CB(4)364/12-13(04) and CB(4)377/12-13(01)).

Discussion

Option 2 vs. Option 3

8. Noting that the four incumbent 3G operators, namely CSL Limited, Hong Kong Telecommunications (HKT) Limited, Hutchison Telephone Company Limited and SmarTone Mobile Communications Limited had issued a joint letter dated 1 February 2013 to members of the Panel expressing objection to the proposed Option 3 for re-assignment of the 120 MHz of frequency spectrum in the 1.9 – 2.2 GHz band upon expiry of the existing frequency assignments (tabled at the meeting and subsequently issued vide LC Paper No. CB(4)391/12-13(02)), Mr Charles Peter MOK enquired about the Administration's assessment on Option 2 vis-à-vis Option

3 in terms of the impact on service continuity.

9. Director-General of Communications ("DGC") advised that China Mobile Hong Kong Company Limited ("China Mobile"), the only mobile network operator ("MNO") which did not have any 3G frequency assignment, had repeatedly indicated its strong interest in acquiring some of the 3G spectrum, and was in support of Option 2, which would put up all 3G spectrum for auction. CA therefore considered that there were clear competing demands for the frequency spectrum in the 1.9 – 2.2 GHz band. Nevertheless, if Option 2 was adopted, the auction outcome would be highly uncertain. The auction might result in a reduction of individual incumbent operators' network capacity to the extent that it would cause degradation of customer services in the form of slower data download speed and a greater number of drop calls, and also weakening or even complete loss of indoor mobile coverage for 3G services. The impact could last for two to three years. In light of the potentially severe and long lasting effect on service quality and especially indoors reception, the Administration considered that there were overriding public policy reasons for it to deviate from the full-fledged market-based approach in re-assigning the frequency spectrum in the 1.9 – 2.2 GHz band.

10. DGC further advised that under Option 3, the incumbent 3G operators could retain two-thirds of the original 3G spectrum in the 1.9 – 2.2 GHz band. This amount of spectrum would enable them to maintain an acceptable level of service quality in respect of most of the existing 3G services. Besides, they would also have the opportunity to take part in the auction to bid for the one third of the spectrum that they had returned to the CA, and to even bid for additional spectrum for building up a contiguous band of 2 x 20 MHz of spectrum, thereby reaping the full potential of the Long Term Evolution-Advanced technology.

11. Noting the view of the four incumbent 3G operators that Option 3 was at odds with the international practice as in the case of the United Kingdom, Australia and New Zealand, where the licences of the incumbent operators were renewed upon their expiry, Ms Claudia MO enquired about the policy rationale behind Option 3.

12. DGC reiterated that in light of the potentially severe and long lasting effect on service quality and reception especially in indoor areas under Option 2 during the transitional period, SCED considered that there were overriding public policy reasons for the Administration to deviate from the full-fledged market-based approach in re-assigning the frequency spectrum in the 1.9 – 2.2 GHz band. On overseas experience, while there were cases of renewal of the spectrum assignments to the incumbents, there were also cases

of re-auctioning all the spectrum as in the experience of Ireland and the Netherlands.

Spectrum utilization fee

13. Ms Emily LAU expressed concern about the view of the four incumbent 3G operators that if Option 3 was adopted, the spectrum charging arrangements proposed under the option could make Hong Kong's spectrum utilization fee ("SUF") amongst the highest in the world, which could affect consumers either through higher prices or less innovation or investment.

14. DGC advised that SUF in Hong Kong was determined by auction and it would therefore reflect the full market value of the spectrum. The level of SUF varied among spectrum at different frequency bands. In response to Ms LAU's enquiry, DGC said that other than China Mobile, it was difficult to predict whether any potential new market entrants would be interested in bidding for the returned spectrum as they were not required to express their interest beforehand. There had been occasion in the past whereby a new entrant was successful in obtaining spectrum through auction without giving any prior notice to the Administration about their interest. In any event, China Mobile had already expressed its interest to bid for the 3G spectrum. The Administration was requested by Ms LAU to provide a written response to the joint submission from the four MNOs dated 1 February 2013 regarding arrangements for the frequency spectrum in the 1.9-2.2 GHz band upon expiry of the existing frequency assignments for 3G mobile services.

Admin

(Post-meeting note: The Administration had subsequently advised that as the consultation exercise was still ongoing and the deadline for responses had just been extended to 11 April 2013, the Administration would examine all the views and comments received in mapping out the way forward. The decision on the arrangements on spectrum re-assignment would be announced through a formal Statement as soon as practicable three years before expiry of the current spectrum assignment, viz. by October 2013. The Administration would set out its responses and feedback to the submissions received during the consultation, including those from the incumbent operators, in that Statement, a copy of which would be provided to the Panel once issued.)

Other issues

15. Mr SIN Chung-kai enquired whether the Administration would adopt the same policy consistently with respect to both frequency spectrum for mobile communications services and domestic free television programme

services.

16. In response, SCED advised that the Administration was guided by the principles in spectrum management as stipulated in the Spectrum Policy Framework promulgated by the Government in April 2007 ("the Policy Framework"). The Policy Framework applied to all radio spectrum, including that for broadcasting, and provided, inter alia, that a market-based approach in spectrum management would be used for spectrum wherever the CA considered that there were likely to be competing demands from providers of non-Government services, unless there were overriding public policy reasons to do otherwise. There was thus consistency in spectrum management. DGC added that as the current domestic free TV programme service licences of Asia Television Limited ("ATV") and Television Broadcasts Limited ("TVB") were due to expire in 2015, the CA would conduct a review of the licences of ATV and TVB later in 2013.

17. In response to Mr YIU Si-wing's enquiry about the service quality of all five existing MNOs (namely, the four incumbent 3G operators and China Mobile) in Hong Kong, DGC advised that the quality of mobile communications services provided by MNOs in Hong Kong ranked amongst the highest in the region and the world. The Administration was satisfied with the overall service quality of all five MNOs. In this connection, Mr LEUNG Kwok-hung expressed concern whether the consumers' personal information was adequately protected by the MNOs, in particular the one with Mainland background. In response, DGC said she was unable to see any relevance of this with the matter under discussion by the Panel.

18. Mr MA Fung-kwok enquired about the possible impact to consumers on service fees as a result of transition from 3G services to 4G services in future. DGC advised that the Administration had all along adopted a technology-neutral approach. MNOs were allowed to freely refarm the frequency spectrum assigned to them for the provision of 2G, 3G or 4G services. Some of the spectrum in the 900 MHz and 1800 MHz bands had been refarmed for the provision of 3G and 4G services respectively. It was not possible for MNOs to force consumers to pay high prices for upgraded services. Ever since the launch of mobile services, charges had been determined by market forces. Hong Kong consumers enjoyed very low telecommunications charges as compared to other major international cities like New York and London.

19. In response to Mr Christopher CHUNG's enquiry about the projected demand for frequency spectrum in the long run, DGC advised that with the robust growth in mobile data traffic, frequency spectrum would continue to face keen competing demands in the foreseeable future.

V. Digital terrestrial television update

(LC Paper No. CB(4)364/12-13(06) -- Administration's paper on progress update on the implementation of digital terrestrial television broadcasting

LC Paper No. CB(4)364/12-13(07) -- Paper on the progress of the implementation of digital terrestrial television broadcasting in Hong Kong prepared by the Legislative Council Secretariat (updated background brief))

Presentation by the Administration

20. At the invitation of the Chairman, Permanent Secretary for Commerce and Economic Development (Communications and Technology) ("PSCED (CT)") briefed members on the latest progress of the implementation of the digital terrestrial television ("DTT") service. Details of the briefing were set out in the Administration's paper (LC Paper No. CB(4)364/12-13(06)).

Discussion

Programme quality and DTT take-up

21. The Chairman, Mr LEUNG Kwok-hung and Mr MA Fung-kwok shared a similar view that programme content was of vital importance to the quality of DTT service and DTT take-up. The frequent re-run of television programmes by the domestic free television programme service licencees had affected the DTT take-up rate. The Chairman opined that provisions governing the frequency of re-run programmes should be added to the licence conditions upon renewal of licences to prevent the excessive re-run of programmes. Mr LEUNG Kwok-hung opined that the issue of new domestic free television programme service licences might improve programme quality as this would introduce competition among the licencees.

22. In reply, PSCED(CT) advised that the Administration attached great importance to the quality of DTT service. The domestic free television programme service licensees should provide a greater variety of programmes to suit the multifarious needs of the audience. Although the licensees had the autonomy in programme content, the Administration would also consider

public views received when conducting the annual surveys and consultation on renewal of the domestic free television programme service licences upon their expiry. Regarding the issue of new domestic free television programme service licences, the applications were being considered by the CE in Council in accordance with the relevant legislation and conditions.

23. Noting the slow progress of the DTT take-up rate, Mr Charles Peter MOK enquired on the practical steps to be taken by the Administration to increase the take-up rate to beyond 70%. In response, PSCED(CT) advised that the Administration would conduct a survey jointly with the broadcasters in the first quarter of 2013 and consider overseas practices to identify the key factors that might help drive up the take-up rate. In addition, the Administration would enhance publicity on the benefits of DTT to encourage the viewing public to switch over to DTT.

24. In view of the slow progress of the DTT take-up rate, Mr MA Fung-kwok enquired whether the target date for analogue switch-off ("ASO") in end of 2015 would have to be further postponed. In reply, PSCED(CT) advised that the Administration would continue to review the DTT take-up rate but currently the target date for ASO was the end of 2015. In response to Mr MA's further enquiry, PSCED(CT) advised that the Administration would continue to enhance publicity on the benefits of digital broadcasting services.

Ultimate coverage

25. Mr Albert CHAN enquired on the measures taken by the Administration to address analogue television reception problem in remote areas suffering from unsatisfactory television reception such as some rural areas in Yuen Long. In reply, Assistant Director (Support), Office of the Communications Authority advised that the Administration was exploring with the relevant Government departments including the Home Affairs Department and the Correctional Services Department on how to improve the reception of analogue television signals during the process of improving transmission of digital television signals in certain remote areas. The Administration would continue to encourage the public to switch to DTT services.

26. Mr YIU Si-wing enquired on the measures taken to assist the public who were using analogue television to switch to DTT, including those who were unable to use set-top boxes to watch DTT programmes. In reply, PSCED(CT) advised that the prices of set-top boxes which enabled the watching of DTT programmes on analogue television sets had fallen to very affordable levels. The Government would continue to closely monitor the

implementation of DTT and keep in view the market development and readiness. Necessary measures would be taken to facilitate a smooth migration from analogue television to DTT.

VI. Update on the work of the Create Hong Kong

(LC Paper No. CB(4)364/12-13(08) -- Administration's paper on update on the work of the Create Hong Kong

LC Paper No. CB(4)364/12-13(09) -- Paper on the work of the Create Hong Kong in promoting the development of creative industries prepared by the Legislative Council Secretariat (updated background brief)

LC Paper No. CB(4)377/12-13(02) Administration's paper on update on the work of the Create Hong Kong
(*Chinese version only*)
(*tabled at the meeting and subsequently issued via email on 8 February 2013*) (power-point presentation material))

Presentation by the Administration

27. At the invitation of the Chairman, the Permanent Secretary for Commerce and Economic Development (Communications and Technology) ("PSCED(CT)") briefed members on the work of the Create Hong Kong ("CreateHK") in 2012. Head of CreateHK then gave a power-point presentation updating members on the work of the CreateHK, programmes and events funded under the various funding schemes administered by CreateHK to support the local creative industries, as well as providing a preview of CreateHK's major initiatives in 2013.

Discussion

28. Mr MA Fung-kwok declared that he was a former member of the vetting committee of the CreateSmart Initiative ("CSI"), one of the funding schemes administered by CreateHK. He considered that the performance indicators provided by CreateHK only contained certain statistics without giving a detailed analysis on the effectiveness of the work of CreateHK. He also considered that the programmes organized or funded by CreateHK were inadequate both in terms of their size and coverage. As such, he urged the

Administration to provide, in the long run, detailed and in-depth analysis to assess and evaluate the effectiveness of the various initiatives.

29. Head of CreateHK advised that more information and details on the programmes sponsored under the funding schemes administered by CreateHK would be provided to members in the next regular Panel meeting. The Administration would also brief the Panel on the proposal to inject additional funding into the CSI.

30. In response to Ms Emily LAU's concern on youth employment and career opportunities in creative industries, PSCED(CT) advised that the former Police Married Quarters would provide about 130 studios for designers and practitioners of creative industries to create, showcase and market their creative products. Head of CreateHK supplemented that competitive employment opportunities with different salary levels were available to newly qualified film practitioners. For practitioners of design-related industries, employment opportunities and salary levels varied according to the size of the relevant design companies. To increase their competitiveness, one-year on-the-job training programmes at established design, advertising and animation companies were provided to fresh graduates of creative disciplines under the graduate internship support schemes administered by CreateHK.

31. Mr Charles Peter MOK declared that he was a member of the CSI vetting committee. Having noted that CreateHK had mostly focused its efforts on mega events, Mr MOK enquired on the criteria CreateHK used to measure the effectiveness of programmes sponsored under the CSI. He considered that the Administration should set up a mechanism to receive feedbacks from related parties to enable the Administration to assess and evaluate in detail the effectiveness and benefits of the work of CreateHK. In reply, Head of CreateHK advised that feedbacks on the effectiveness and improvements of CSI in the past three years had been collected from project participants, trade organizations and vetting committee members of CSI in the last quarter of 2012 for assessment and evaluation.

32. Mr CHAN Chi-chuen queried the objectiveness of the assessment criteria of the work of CreateHK. He also enquired whether the proportion of funds distributed under the two funding schemes of Film Development Fund ("FDF") as shown in paragraph 1 of Annex 2 to the Administration's paper (LC Paper No. CB(4)364/12-13(08)) was a natural distribution or a result of the Administration's policy direction. In response, Head of CreateHK advised that the figure was a natural distribution but the overall funding committed for the approved projects in FDF in 2012 was the highest among the average annual funding approved in FDF in the last three years.

33. The Chairman expressed concern that CreateHK had mostly focused its efforts on publicity and mega promotional activities, and had not done enough to assist in providing support and one-stop services to the local creative industries. In reply, Head of CreateHK assured members that continued efforts would be made to speed up the development of creative industries and to promote Hong Kong as Asia's creative capital.

VII. Any other business

34. There being no other business, the meeting ended at 11:31 am.

Council Business Division 4
Legislative Council Secretariat
15 May 2013