

**The Legislative Council
Bills Committee on Broadcasting Bill**

Licence Fees of Television Broadcasting Licences

Purpose

This paper sets out the computation of licence fees for television broadcasting services.

Background

2. Before 1996, the licence fees for broadcasting services had been set at a nominal level. This was not in line with Government policy that fees and charges should in general be set at levels adequate to cover the full cost of providing the services. In 1996, the Government decided that full-cost licence fees should be introduced to all broadcasting licensees following the renewal of each licence. To mitigate the impact of increase in licence fees on licensees, the Government decided to adopt a special phasing-in arrangement whereby the recovery of full-cost licence fees should be phased in over a period of five years. Accordingly, broadcasting licensees were required to pay 20% of the full-cost licence fee in the first year after the renewal of their licences, 40% in the second year and so on until full-cost recovery is achieved.

Licence Fee

3. The annual licence fees for a commercial television broadcasting licence, subscription television broadcasting licence and programme service licence are set out in Schedules 3, 4 and 5 respectively of the Television (Royalty and Licence Fees) Regulation. The annual licence fee for a satellite television uplink and downlink licence are set out in the licence.

4. In accordance with the full-cost recovery principle as mentioned in paragraph 2 above, the amounts of licence fees are calculated by reference to the expenditure incurred by the Television and Entertainment Licensing Authority (TELA) and the Office of the Telecommunications Authority (OFTA) in administering the licences. A table showing the licence fees

calculated on a full cost recovery basis payable by the licensees is at the Annex.

The Broadcasting Bill

5. Upon enactment of the Broadcasting Bill, we would need to review the computation of the licence fees because of the following reasons -

- (a) the regulatory frameworks for the “transmission” and “provision” of television programme services will be provided for under the Telecommunication Ordinance and the Broadcasting Ordinance respectively. The licence fees for “transmission” and “content” licences would need to be separately provided for;
- (b) with the opening up of the television market under the new regulatory regime, it is expected that there will be a proliferation of broadcasters each providing a different number of channels or serving a different size of audience. There is therefore a need to devise a charging scheme which reflects the different levels of costs in administering different licences; and
- (c) under the new Broadcasting Bill, the Broadcasting Authority will take up two new areas of licence administration, namely licensing of non-domestic and other licensable television programme services; and enforcement of the competition provisions. The relevant expenditure to be incurred should be appropriately reflected in the licence fees.

6. Our original intention is to specify the annual licence fees in the licence conditions instead of by subsidiary legislation. This is to streamline the administrative procedure. However, in the light of Members’ concern about the computation of licence fees under the new regulatory regime provided for in the Broadcasting Bill, we would agree to Members’ suggestion of prescribing the annual licence fees by regulation. In other words, the new annual licence fees will be specified by means of subsidiary legislation so that the Legislative Council will have a chance to scrutinize the basis on which the various licence fees are arrived at. We will propose a Committee Stage Amendment (CSA) to this effect. It is already the arrangement for licence fees of telecommunications licences to be prescribed

by regulation made under the Telecommunication Ordinance.

Transitional Arrangement

7. Given that subsidiary legislation can only be made after the enactment of the Broadcasting Bill, we would need to provide for a transitional arrangement to cover the period after commencement of the Bill and before the making of the regulation. We will propose a CSA to the effect that the Financial Secretary may, by notice in writing served on an existing licensee, specify the annual licence fee payable for the period of the year after the commencement of the Bill. Thereafter, the licensees would be required to pay the licence fees prescribed by regulation. This arrangement will also give effect to the policy decision that licensees should be required to pay the full-cost licence fees as a quid pro quo for the abolition of the charging of royalties upon the enactment of the Broadcasting Bill.

24 May 2000

Information Technology and Broadcasting Bureau

Licence Fees of TV Broadcasters

Licensee	TELA's Costs (\$) (A)	OFTA's Costs (\$) (B)	Full Cost Licence Fee (\$) (A+B)	Current Fee as a % of Full Cost Fee	Current Licence Fee (\$)
ATV	7,170,000	2,045,000	9,215,000	40%	3,944,000
TVB	7,170,000	2,045,000	9,215,000	40%	3,944,000
HKCTV	2,696,463	10,618,000 ^{Note 1}	13,314,463	20%	2,662,893
C&WHKTVOD	1,358,352	614,597	1,972,949	20%	394,590
Hutchvision	52,020	124,040 ^{Note 2}	176,060	100%	176,060
Galaxy	52,000	31,000 ^{Note 3}	83,000	100%	83,000
APT Satellite Glory	52,020	62,020 ^{Note 4}	114,040	100%	114,040
Starbucks	52,020	31,010 ^{Note 5}	83,030	100%	83,030

^{Note 1} Comprising a spectrum utilization fee of \$6,608,000 for the use of 2GHz and 12GHz microwave multi-point distribution system (MMDS) and an administration fee of \$4,010,000. This is only an interim measure. Upon completion of the migration of the MMDS frequencies to 18GHz in around mid-2001, the spectrum utilization fee will be reduced to \$1,210,000.

^{Note 2} The Antenna Fee for 4 antenna (\$31,010 per antenna)

^{Note 3} The Antenna Fee for 1 antenna (\$31,000 per antenna)

(Galaxy has chosen to pay the licence fee in advance for 4 years, hence the fee has not been adjusted to reflect inflation.)

^{Note 4} The Antenna Fee for 2 antenna (\$31,010 per antenna)

^{Note 5} The Antenna Fee for 1 antenna (\$31,010 per antenna)