

立法會 *Legislative Council*

LC Paper No. CB(1)1661/03-04
(These minutes have been seen
by the Administration)

Ref : CB1/PL/ITB/1

Panel on Information Technology and Broadcasting

**Minutes of meeting
held on Monday, 8 March 2004, at 2:30 pm
in the Chamber of the Legislative Council Building**

- Members present** : Hon SIN Chung-kai (Chairman)
Hon Howard YOUNG, SBS, JP (Deputy Chairman)
Hon CHAN Kwok-keung, JP
Hon Emily LAU Wai-hing, JP
Dr Hon LAW Chi-kwong, JP
- Members absent** : Dr Hon David CHU Yu-lin, JP
Dr Hon Eric LI Ka-cheung, GBS, JP
Dr Hon Philip WONG Yu-hong, GBS
Hon YEUNG Yiu-chung, BBS
Hon Timothy FOK Tsun-ting, SBS, JP
Hon Albert CHAN Wai-yip
Hon MA Fung-kwok, JP
- Public officers attending** : Agenda Item IV

Mr Francis HO, JP
Permanent Secretary for Commerce, Industry and
Technology (Communications and Technology)

Mrs Marion LAI, JP
Deputy Secretary for Commerce, Industry and
Technology (Communications and Technology)

Mr Eddie CHEUNG
Principal Assistant Secretary for Commerce, Industry
and Technology (Communications and Technology)

Mr T Y CHAN
Chief Telecommunications Engineer (Advisory and
Planning), Office of the Telecommunications
Authority

**Attendance by
invitation**

: Agenda Item IV

Asia Television Limited

Mr KWONG Hoi-ying
Senior Vice President - Strategic Planning and
Corporate Affairs

Mr FONG Kin-chuen
Senior Vice President - Engineering

Television Broadcasts Limited

Mr CHEONG Shin-keong
Assistant General Manager-Television Broadcasting

Mr Stephen CHAN
Assistant General Manager-Television Broadcasting

Advanced Communication Equipment (International)
Co., Ltd (for Dolby Laboratories, Inc)

Mr Daryl WONG
Product Manager

Digital Video Broadcasting

Mr Peter MACAVOCK
Executive Director

Mr John BIGENI
Representative

The Hong Kong Electronic Industries Association
Ltd.

Dr CHAN Kei-biu
Chairman

Mr Henry LIU Hui-yang
Executive Committee Member

Consumer Council

Dr Victor HUNG
Chief Trade Practices Officer

Other party

Miss KING Mary Ann Pui-wai
Member, Wan Chai District Council

Clerk in attendance : Miss Polly YEUNG
Chief Council Secretary (1)3

Staff in attendance : Ms Debbie YAU
Senior Council Secretary (1)1

Ms Sharon CHAN
Legislative Assistant (1)6

Action

I Confirmation of minutes

LC Paper No. CB(1)1163/03-04 -- Minutes of the Panel special meeting on 16 January 2004

The minutes of the Panel special meeting on 16 January 2004 were confirmed.

II Date and items for discussion for next meeting

LC Paper No. CB(1)1173/03-04(01) -- List of outstanding items for discussion

LC Paper No. CB(1)1173/03-04(02) -- List of follow-up actions

2. Members agreed on the agenda items for the next two meetings of the Panel as follows :

(a) Special meeting on 25 March 2004

- (i) Measures to facilitate the development of the film industry; and
- (ii) 2004 Digital 21 Strategy.

(b) Meeting on 19 April 2004

- (i) Issues relating to the development of Radio Television Hong Kong; and
- (ii) Labelling Scheme for hand-held mobile phones.

(Post-meeting note: At the request of the Administration, the Chairman has agreed to add a new item on "Telecommunications Authority Guidelines: Mergers and Acquisitions in Hong Kong Telecommunications Markets". Members have been notified of the change in the agenda vide LC Paper No CB(1)1507/03-04.)

III Papers issued since last meeting

3. Members noted that no information paper had been issued since last meeting.

IV Second Consultation paper on Digital Terrestrial Broadcasting in Hong Kong

LC Paper No. CB(1)470/03-04(07) -- Second Consultation paper on Digital Terrestrial Broadcasting in Hong Kong

LC Paper No. CB(1)712/03-04 -- Extract of minutes of the meeting held on 5 December 2003 on ""Introducing Digital Terrestrial Broadcasting at the right time": a second consultation"

LC Paper No. CB(1)1166/03-04 -- Background brief on digital terrestrial broadcasting and related issues prepared by the Secretariat

Presentation by deputations/individual

4. Members noted the submissions from Dolby Laboratories, Inc (LC Paper No. CB(1)1173/03-04(06)) Hong Kong Democratic Foundation (LC Paper No. CB(1)1201/03-04(01)), Radio Television Hong Kong (RTHK) (LC Paper No. CB(1)1216/03-04(01)) and International Federation of the Phonographic Industry (Hong Kong Group) Limited (LC Paper No CB(1)1242/03-04(01)).

5. The Chairman welcomed the deputations to the meeting and invited them to present their views on the second consultation paper on Digital Terrestrial Broadcasting (DTB) in Hong Kong.

Asia Television Limited (ATV)
(LC Paper No. CB(1)1173/03-04(03))

6. Mr KWONG Hoi-ying of ATV outlined the response of ATV to the second consultation paper on DTB in Hong Kong as follows:

- (a) Hong Kong should adopt a single technical standard for digital terrestrial television (DTT) broadcasting which should be the same as the one adopted by the Mainland. A larger market would provide economies of scale to manufacturers and enable local consumers to obtain related consumer products at more competitive prices.
- (b) ATV disagreed with the proposed threshold for analogue switch-off when the penetration of DTT broadcast reached 50% of all television (TV) households. ATV suggested to use the number of TV set as the threshold since the average number of TV set in each household in Hong Kong was higher than that in many other advanced economies.
- (c) ATV and Television Broadcasts Limited were required to start simulcast in 2006 and reach territory-wide digital coverage in 2008, and to share facilities with new network operators. ATV strongly requested that in addition to the direct assignment of the multiple frequency network (MFN) multiplex, the two existing terrestrial broadcasters should be given priority in the assignment of the other four single frequency network (SFN) multiplexes.
- (d) ATV expressed reservation on the technical feasibility of SFN under the proposal and urged the Administration to conduct feasibility tests.
- (e) At present, analogue terrestrial television broadcasting was subject to regulation. The Administration should clarify the regulatory regime for DTT broadcasting to eliminate discrepancies and unfair competition.
- (f) On one hand, the Administration had proposed in the consultation paper that the period of validity of the direct assignment of MFN multiplex should tally with that of the existing carrier licences (from 1 December 2003 to 30 November 2018). On the other hand, the consultation paper had recommended the decision-making mechanism for analogue switch-off. ATV requested the

Administration to resolve the anomaly.

Television Broadcasts Limited (TVB)

(LC Paper No. CB(1)1173/03-04(04))

(LC Paper No CB(1)1242/03-04(02) - *tabled and subsequently issued to members on 9 and 22 March 2004*)

7. Mr CHEONG Shin-keong of TVB urged the Administration to make reference to overseas experience when introducing DTT broadcasting in Hong Kong. He elaborated on TVB's position as follows :

- (a) TVB strongly disagreed with the proposed "market-led" approach on the choice of DTT standard for Hong Kong whereby each service provider was primarily free to select the standard to be adopted. Hong Kong should adopt one single DTT standard which should be the same as that of the Mainland and launch the service after the Mainland had announced its choice of standard. This would not only oblivate the need to purchase different set top boxes or TV sets for different standards, it would also benefit local consumers in being able to acquire affordable products as a result of mass production by manufacturers. Besides, by sharing the same technical standard, multi-media applications developed in Hong Kong would have the potential to capture a larger market in the Mainland through mobile reception.
- (b) To boost the take-up rate of DTT service by local consumers, high definition television (HDTV) services should be made available since product differentiation was an indispensable tool to adoption of new technology. In addition, domestic free television programme services should be enhanced in the digital era to ensure adoption. Such enhancement should include the relaxation of programme and advertising restrictions and the availability of bandwidth for high definition and enhanced TV services.
- (c) While agreeing with the Administration's proposed frequency network plan on the principle of no interference, TVB and ATV would be submitting a supplementary response on interference assessment of the plan to the Bureau.
- (d) To ensure a smooth adoption of DTT in Hong Kong, a committee comprising Government officials, multiplex operators, existing and new programme service providers should be set up to coordinate efforts on different fronts.

Digital Video Broadcasting (DVB)
(LC Paper No. CB(1)1173/03-04(07))

8. Mr Peter MACAVOCK of DVB briefly introduced recent developments of DVB technical standards and highlighted that at present, DVB had 40-odd interoperable standards and some 20 technical implementation guidelines. He depicted the features of DVB-T, which met the selection criteria for DTT technical standard as outlined in the second consultation paper:

- (a) Apart from being able to support single frequency network transmission and mobile reception, DVB-T standard could operate in all possible channel bandwidths including 8MHz which was currently used in Hong Kong for terrestrial television broadcasting.
- (b) DVB-T standard had been adopted in many countries and related consumer products were available at competitive prices due to economies of scale.
- (c) DVB-T standard was a member of a large interoperable family of DVB standards. Broadcasters might find network transmissions with satellite operation less complex with DVB-T standard.

The Hong Kong Electronic Industries Association Ltd (HKEIA)
(LC Paper No CB(1)1173/03-04(08))
(LC Paper No CB(1)1242/03-04(03) - *tabled and subsequently issued to members on 9 March 2004*)

9. Dr CHAN Kei-biu of HKEIA expressed the Association's full support for the introduction of DTB in Hong Kong. However, he stressed that the industry would need the support of the Administration to enable Hong Kong to become the leading hub of software and hardware development in the region. He highlighted the following concerns of HKEIA:

- (a) The introduction of DTB in Hong Kong would enhance the development of the electronic industry by generating new manufacturing and marketing opportunities in the production and sale of digital broadcasting products, which would in turn provide impetus to the local economic growth.
- (b) Innovative development and technological advancement would bring about new investments and jobs in integrated circuit design, software development, as well as in TV programming, advertising, filming and multi-media production.
- (c) Hong Kong should initially adopt the DVB-T standard since ready made set top boxes were already available in the market. In case the Mainland adopted a different standard, the industry would be

able to adjust its technology and produce set top boxes which could cater for both systems in six to eight months' time.

- (d) Digital broadcasting should be implemented along with HDTV standard as both the technology and products available in the market were already quite mature.

Consumer Council (CC)

(LC Paper No. CB(1)1173/03-04(09))

10. Dr Victor HUNG of CC expressed CC's support for the introduction of DTB in Hong Kong but pointed out that consumers/viewers' access to adequate television services must be safeguarded. He highlighted the following issues in CC's submission:

- (a) While supporting the Administration's proposed "market-led" approach in adopting the DTT technical standard, CC was concerned that consumers might need to acquire different products to access networks of different standards. CC also expected that multi-standard reception products would not be available until the market had developed and become mature. To prevent broadcasters using their proprietary rights to inhibit the supplying of multi-standard devices, the Administration should take active measures to ensure interoperability and accessibility to safeguard consumer interests.
- (b) There were merits for Hong Kong to adopt the same technical standard as that of the Mainland to benefit local consumers in terms of more affordable consumer products, more choices of new service providers and higher quality of services due to competition. As such, the Government might consider introducing DTT broadcasting but allow ATV and TVB to start simulcast until the Mainland had promulgated its standard.
- (c) CC was very concerned about the viability of domestic free TV services in the era of digital broadcasting. Given that a basic free television service is an important medium in the community, especially for the less advantaged sectors, CC was keen to ensure that the Government should maintain an appropriate licensing regime to support the continued availability of free broadcasting service to the under-privileged.
- (d) To promote competition, CC supported the proposal of not restricting the type and number of licences issued to service providers. It also called on the respective authorities to enforce the competition-related provisions under the Telecommunications Ordinance (Cap 106) and Broadcasting Ordinance (Cap 562).

Miss Mary Ann KING, member, Wanchai District Council (WCDC)
(LC Paper No CB(1)1173/03-04(05))

11. Miss Mary Ann KING, member of WCDC urged that consideration should be given to establishing community radio channels upon the launch of DTB which would make available more spectrum capacity. She said that community channels could better serve the needs of certain social groups and the under-privileged sectors by delivering specific programmes or services to them.

Members' deliberations

DTT technical standards and timing to launch DTT broadcasting

12. Recalling that ATV and TVB had urged the Government to defer decision on the technical standard to be adopted for DTT broadcasting in Hong Kong until the Mainland had promulgated its standard, Mr CHAN Kwok-keung doubted if the Mainland would make a decision by 2005 as indicated by ATV and TVB in their submissions. He also enquired about the two broadcasters' planned level of investment on DTT broadcasting.

13. In this connection, Mr KWONG Hoi-ying of ATV pointed out that as the Mainland had already announced that the 2008 Beijing Olympic Games would be broadcast digitally, it could be reasonably anticipated that the Mainland must decide on the standard to be adopted by 2005 the latest. Therefore, instead of making a hasty decision to introduce DTT, ATV would strongly suggest that Hong Kong should launch DTT broadcasting after the Mainland had decided on its technical standard. This should also enable a smoother and quicker adoption of DTT services by local consumers and hence, an earlier switch off of analogue transmission.

14. On the development of Mainland's DTT standard, Mr FONG kin-chuen of ATV informed members that two Mainland standards, one being developed by Tsinghua University and the other, by Shanghai Jiaotong University, had been tested recently. To ensure that the standards were compatible with the broadcasting environment of Hong Kong, TVB and ATV had jointly sponsored local testing of the two standards. He cautioned that it would not be desirable for Hong Kong to adopt the DVB-T standard, only to find out eventually that the standard adopted by the Mainland out-performed DVB-T.

15. On the level of investment made by ATV, Mr KWONG Hoi-ying of ATV referred to the licence of ATV renewed on 1 December 2003 in which ATV was required to implement an investment plan to fulfil its commitment of capital expenditure on the analogue service within the licence period. In fact, ATV had already commenced digitization at the internal level and was prepared to invest in DTT which was in fact the global trend in the development of television services. As such, there was no cause for doubt over ATV's willingness in future investment for launching DTT broadcasting.

16. Mr CHEONG Shin-keong of TVB highlighted that television broadcasting would not be able to sustain without migrating to digital broadcasting. Given the close economic ties and frequent flow of travellers between Hong Kong and the Mainland, and hence the proliferation of mobile reception devices for digital television programme services, the reception of television programmes in both places would be facilitated if Hong Kong and the Mainland adopted the same DTT standard.

17. The Chairman recalled that soon after the emergence of NTSC and PAL video standards a decade ago, manufacturers had quickly responded by producing multi-system video recorders for sale in the market. Similarly, even if Hong Kong adopted a DTT technical standard which was different from that of the Mainland, it could be reasonably expected that the industry would seek to meet the market demand by making available multi-standard reception devices. The Chairman anticipated that as the technology became more mature, switching to another channel using a different technical standard could likely be effected automatically through the set top box or the built-in device of the TV set. In this connection, the Chairman asked about the possible costs for a set top box or TV set of single technical standard vis-à-vis those of multi-standard reception. He was also concerned that in case Hong Kong adopted a technical standard which was different from the Mainland standard, whether there would be sufficient incentive for manufacturers to produce reception devices for the Hong Kong market alone.

18. Dr CHAN Kei-biu of HKEIA considered that technology alone should not pose any insurmountable obstacles. Citing the co-existence of CDMA and GSM standards for mobile telecommunications services in Hong Kong, Dr CHAN pointed out that it was not uncommon for a place to adopt several technical standards for a service.

19. Mr Henry LIU Hui-yang of HKEIA further informed members that the major Mainland manufacturers of TV sets were ready to produce reception devices for any one of the three standards proposed to be adopted by the Mainland. Once the Mainland had made a decision, the TV sets /set top boxes would be produced for sale in the retail markets. He said that it might take another six months or so for the manufacturers to produce multi-standard reception devices to access DTT services transmitted through different standards. However, the costs for the multi-standard products would inevitably be higher. Mr LIU said that a set top box and a HDTV TV set of single standard would cost about \$500 to \$600 and \$3,000 respectively. The corresponding price for multi-standard devices would be higher by approximately 20% to 30%. Mr LIU stressed that the electronic industry had already carried out the necessary research and development work and was prepared to cater for the demand of the market for multi-standard DTT reception devices. In case Hong Kong decided to adopt a technical standard different from that of the Mainland, consumers might access DTT broadcasting services initially by using their existing TV sets in conjunction

with set top boxes. As the market developed, multi-standard consumer products including TV sets with built-in reception devices would likely be available at competitive prices. Consumers might also choose to upgrade the single-standard set top boxes acquired earlier on to access services of different standards. Pointing out that some broadcasters in certain Mainland provinces/cities such as the Oriental Pearl Group had adopted DVB-T for DTT broadcasting, Mr LIU considered that Hong Kong should lose no time in securing its position as the regional hub of software and hardware development by adopting the DVB-T standard in the implementation of DTT broadcasting. In reply to the Chairman, Mr LIU believed that the electronic industry was able to respond to the demand of the market for various types of consumer products.

20. The Chairman enquired whether the programmes of ATV and TVB could still be broadcast in the Mainland if Hong Kong adopted a technical standard different from that of the Mainland.

21. In reply, Mr KWONG Hoi-ying of ATV responded that ATV transmitted its programmes to the Mainland households through its cable network, which was independent of the DTT technical standard to be adopted. While the proposed "market-led" approach on technical standard might not incur additional costs on the operator, it would add to the burden of consumers since they had to acquire different devices in order to receive programmes transmitted through different standards.

22. Mr CHEONG Shin-keong of TVB echoed Mr KWONG's view and stressed that there was no question of reception of TVB's programmes by the Mainland households even if Hong Kong adopted a DTT standard different from that of the Mainland. He pointed out that currently, no country/economies in the world had adopted multiple standards, probably because multiple standards might lower the efficiency on the use of frequencies. Mr CHEONG reiterated TVB's stance that Hong Kong should adopt the same standard as that of the Mainland.

Viability of domestic free TV programme services and public access channels

23. Referring to CC's concerns about the possible discontinuation of domestic free TV programme services upon transition to DTT, Ms Emily LAU sought further elaboration from CC. She also invited the comments of TVB and ATV.

24. Dr Victor HUNG of CC explained that according to the operational experience in some overseas jurisdictions, there was a decline in the programme content for domestic free TV programme services after the introduction of DTT because more pay TV programme services became available at competitive prices. Although overseas experience might not replicate in Hong Kong, Dr HUNG considered that the Administration should keep this in view and ensure that the underprivileged would not be deprived of free TV programme services.

25. Mr KWONG Hoi-ying of ATV expressed disappointment that the Administration had not made clear its position on the regulatory framework for different categories of TV services, i.e., domestic free TV programme services, pay TV programme services, multi-channel services and HDTV services etc.

26. Mr Stephen CHAN of TVB was gravely concerned that in spite of the social value of domestic free TV programme services, the Government had not indicated its position on sustaining the role of domestic free TV programme services in the digital era in the first and second consultation papers.

27. On whether domestic free TV programme services were at stake in the era of DTT, Mr CHEONG Shin-keong of TVB highlighted that the survival of free TV programme services licensees hinged on advertising revenue. Notwithstanding the recent relaxation in advertising standards for domestic free TV programme services, there were still more restrictions on advertising standards in Hong Kong than in Europe and the United States. Mr CHEONG urged for further relaxation on advertising standards in order that domestic free TV programme services could remain viable.

28. Regarding CC's plea for an appropriate licensing regime to support the continued availability of domestic free TV programme services for the benefit of the under-privileged, Dr Victor HUNG said that CC was keen to ensure that the underprivileged would not be disadvantaged by the advent of DTT services. However, CC had yet to come up with any concrete proposal. In this regards, Ms Emily LAU invited CC to submit further details on its proposal in due course.

29. Referring to Members' support for the establishment of a public access channel when speaking at the debate on the motion on broadcasting policy moved by Hon SIN Chung-kai at the Council meeting on 18 February 2004, Ms Emily LAU enquired whether the Administration would set up public access channels upon transition to DTB. She was also concerned whether RTHK would be allocated its own channel instead of taking up the air time of ATV and TVB to broadcast its programmes.

30. On the subject of public access channels, Dr Victor HUNG of CC pointed out that the digitization of television broadcasting and the opening up of more channels could increase the scope for public broadcasting. He therefore urged the Administration to seriously consider setting up public access channels. Miss Mary Ann KING of WCDC also pointed out that public access channels could provide a platform for minority groups to express and voice their views.

31. Referring to TVB's obligation to broadcast RTHK's educational TV programmes at designated time-slots, which sometimes resulted in the interruption of TVB's live broadcasts, Mr Stephen CHAN of TVB agreed that RTHK should be allocated its own broadcasting channel. Mr CHAN also urged the Administration to relax the operating restriction on the domestic free

television programme service broadcasters so that they would not be mandated to allocate air-time for RTHK.

32. In addressing the concern about the sustainability of domestic free TV programme services in the digital era, the Permanent Secretary for Commerce, Industry and Technology (Communications and Technology) (PSCIT(CT)) advised that all along, the Administration was neutral with respect to different types of television services and did not favour one type over another. The role of the Government was to provide an environment conducive to the operation and development of the industry. He pointed out that unlike domestic pay TV programme services which were subject to subscription by consumers, terrestrial broadcasting took up frequency spectrum which was a public asset. As such, it was reasonable for free-to-air TV services to be subject to greater regulation. PSCIT(CT) also recapped that the Broadcasting Authority had relaxed the programme and advertising standards for domestic free TV programme services last year. He said that as undertaken by the Secretary for Commerce, Industry and Technology at the Panel meeting on 16 January 2004, the Administration would consult the public on the outcome of the review of the broadcasting regulatory regime in 2004.

Admin

Time-table

33. In reply to the Chairman, PSCIT(CT) advised that the Administration would study the submissions received in response to the second consultation paper and examine the technical development of reception devices. It would then submit its recommendation for the approval of the Chief Executive in Council in mid-2004. The Administration aimed to invite expression of interest based on the Government's requirements in the second half of 2004.

V Any other business

34. There being no other business, the meeting ended at 3:50 p.m.