

立法會
Legislative Council

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by the Administration)

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Panel on Information Technology and Broadcasting

Minutes of meeting
held on Monday, 19 April 2004, at 8:30 am
in Conference Room A of the Legislative Council Building

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

Mrs Marion LAI, JP
Deputy Secretary for Commerce, Industry and
Technology (Communications and Technology)
- Agenda Item V and VI
- Mr Tony LI
Principal Assistant Secretary for Commerce, Industry
and Technology (Communications and Technology)
(E)

Agenda Item IV

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

Ms Mimi LEE
Principal Assistant Secretary for Education and
Manpower (Quality Education)

Mr LO Man-fai
Senior Education Officer (Educational Television)
Education and Manpower Bureau

Agenda Item V

Mr K S WONG
Assistant Director of Telecommunications

Agenda Item VI

Ms Gracie FOO
Deputy Director-General of Telecommunications

Mr Edward WHITEHORN
Head, Competition Affairs Branch
Office of the Telecommunications Authority

Ms Jenny CHUNG
Head, Legal Support
Office of the Telecommunications Authority

Mr Peter MACMILLAN
Principal Regulatory Affairs Manager (Competition)
Office of the Telecommunications Authority

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

Staff in attendance : Ms Connie FUNG
Assistant Legal Adviser 3

Ms Debbie YAU
Senior Council Secretary (1)1

Ms Sharon CHAN
Legislative Assistant (1)6

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IV Issues relating to the development of Radio Television Hong Kong

LC Paper No. CB(1)1507/03-04(03) -- Information paper provided by the Administration

LC Paper No. CB(1)1509/03-04 -- Information note on issues relating to Radio Television Hong Kong prepared by the Secretariat

LC Paper No. CB(1)1216/03-04(01) -- Previous submission from Radio Television Hong Kong on Digital Terrestrial Broadcasting in Hong Kong (English version only)

LC Paper No. CB(1)1507/03-04(04) -- Extract of Hansard for Council meeting on 18 February 2004 (Motion debate on Broadcasting Policy)

LC Paper No. CB(3)518/03-04 -- The Administration's progress report in response to the motion carried at the Council meeting on 18 February 2004

4. The Chairman informed members that this item had been included on the agenda following the Panel's visit to Radio Television Hong Kong (RTHK) on 13 January 2004. Members had agreed that specific issues relating to RTHK's accommodation needs, programme content licensing as well as the development of school educational television (ETV) service should be further considered by the Panel. The Chairman said that as the aforesaid issues were related to RTHK, he had requested the Commerce, Industry and Technology Bureau (CITB) via the Secretariat to include representatives from RTHK in the attendance of government representatives. CITB replied that after discussing with RTHK, both of them agreed that attendance by CITB and the Education and Manpower

Bureau (EMB) would be adequate for discussion of this item. Members noted that the invitation letters dated 10 March 2004 and 14 April 2004 issued by the Secretariat to CITB and the latter's written reply were tabled at the meeting.

Accommodation needs

5. Referring to the overcrowded conditions she had observed during the Panel's visit to RTHK on 13 January 2004, Ms Emily LAU was concerned about the way forward for the proposed Broadcasting House. Ms LAU noted from the background brief prepared by the Secretariat that according to the information made available to the Public Works Subcommittee in January 2003, the proposed project was originally scheduled to commence in the third quarter of 2003 for completion in the second quarter of 2008. Subsequently, the schedule of accommodation for the proposed Broadcasting House had been reviewed and scaled down. Noting from the Secretariat's background brief that as revealed in RTHK's publication, the latest proposed net operational floor area for the new building had been reduced from 26 500m² to about 18 000m², Ms LAU sought explanation on the background and reasons for the reduction. She also enquired if the reduction was due to changes in staffing establishment and if yes, she sought relevant information on staffing establishment, as well as the estimated cost of the project.

6. In response, DSCIT(CT) advised that currently, RTHK's broadcasting headquarters were accommodated in three separate buildings on Broadcast Drive in Kowloon. RTHK's proposal was to reprovision all its facilities and offices to a new, purpose-built building at Tseung Kwan O Area 86 since most facilities in the existing headquarters, which were built some 30 years ago, were outdated. DSCIT(CT) pointed out that the net operational floor area of the proposed Broadcasting House had been revised having regard to a number of factors such as changes in operational needs and reduction in staff. Referring to the Controlling Officer's Report in the Estimates for the year ending 31 March 2005, she informed members that there were 621 posts on the permanent establishment of RTHK as at 31 March 2004, as compared to 670 posts in 2001. It was expected that the number of posts would be further reduced to 579 in 2005. Nevertheless, as requested by members, DSCIT(CT) would provide the Panel with further information on the background and reasons for the reduction in proposed net operational floor area for the proposed Broadcasting House.

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7. On the estimated cost of the proposed project, DSCIT(CT) advised that the estimated cost for RTHK's reprovisioning project was about \$1.3 billion. As the estimated cost would be reviewed and revised according to the actual project scope and the price levels of the days, DSCIT(CT) said that a revised estimate would be worked out in due course when the way forward for the project was confirmed. In this connection, Ms Emily LAU queried why the Administration had not provided information on how the original estimated cost of \$1.3 billion would be adjusted, given that the proposed net operational floor area for the proposed new building had already been reduced. She stressed that the Administration should make available the information in full, including any

variations arising from changing requirements, for members' consideration at the meeting. Mr Albert CHAN shared Ms LAU's view. He considered it strange that the estimated cost of a proposed capital works project had not been revised in the light of changes in accommodation requirements. He was also gravely concerned that the proposed project might have been shelved for political reasons.

8. Responding to members' concern about the time-table for taking forward the project, DSCIT(CT) said that no firm time-table could be provided at this stage. However, CITB recognized RTHK's accommodation needs and would follow the established procedures to apply for the necessary resource to take forward the project in due course.

9. Recalling that on some past occasions, the Administration had indicated the possibility of making available prime sites for sale with a view to alleviating the current fiscal problem, the Chairman asked if the site currently occupied by RTHK at Broadcast Drive would be put up for sale if RTHK was reprovisioned to the proposed Broadcasting House in Tseung Kwan O. In reply, DSCIT(CT) said that if the proposed reprovisioning was taken forward and the existing site on Broadcast Drive was vacated by RTHK, the Administration would certainly consider different options for using the site.

School Educational Television Service

10. On the delivery mode, Mr Howard YOUNG agreed that school ETV service should not be delivered through live TV broadcast because it was very inflexible to require students to view the programmes at fixed time-slots. He enquired about the timing in phasing out live broadcast of school ETV service.

11. In response, the Principal Assistant Secretary for Education and Manpower (Quality Education) (PASEM(QE)) explained that according to a survey conducted by the EMB in May 2003, among the teachers using school ETV programmes, only about 2% and 19% of secondary and primary schools respectively relied on live broadcasts. In response to feedback from teachers, EMB had been distributing secondary school ETV programmes on video compact discs (VCDs) and stopped live broadcast to secondary school since September 2003. On the advice of the Standing Committee on the Development of the ETV Service, live TV broadcast of ETV programmes for primary schools was maintained for the time being but would be subject to review. At present, ETV programmes for primary schools were also available on VCDs and on the Internet. As more and more schools were using the VCDs provided by EMB for greater flexibility and easier access, EMB envisaged that live broadcasts of school ETV service would eventually be phased out but no time-table had been set.

12. Mr Howard YOUNG enquired about the source of funding for producing VCDs of ETV programmes. In reply, PASEM(QE) said that EMB was the responsible policy and resource bureau for school ETV service while RTHK was

the production agent. EMB had been reviewing with RTHK on ways to enhance the cost-effectiveness of ETV productions including outsourcing such productions to the private sector.

13. Ms Emily LAU declared that she was a member of the Public Accounts Committee (PAC). She noted that to enhance cost-effectiveness, EMB would implement measures to help reduce the number of staff in its school ETV team from 22 to 13. She enquired about the progress of outsourcing production work as recommended by PAC.

14. In response, PASEM(QE) stressed that EMB was keen to follow up PAC's recommendations. In fact, some production companies had offered to produce ETV programmes for EMB. However, she pointed out that as members were aware, the outsourcing of production work had staffing implications on RTHK, in particular the staff currently working in the ETV section of RTHK. As such, the progress of outsourcing of productions had been slow and the Administration had not been able to achieve the target of 25% outsourcing in 2003-04. PASEM(QE) further informed members that RTHK was looking into various ways to address the potential staffing problem as a result of outsourcing. In this regard, Ms Emily LAU urged that under the principle of "big market and small government", the Government should not compete with the private sector for business opportunities. Nevertheless, she agreed that the relevant bureaux and government departments should take measures and where practicable, provide incentives, to address the concerns of the staff of RTHK about their employment prospect following implementation of outsourcing.

15. On the question of viewing rate, PASEM(QE) advised that about 70% of primary school students viewed ETV programmes. She however cautioned that the high percentage could not be taken to imply that ETV programme alone would provide effective education. Other factors such as the use of information technology (IT) and teaching methodology etc were also very important in leading to effective and quality education. Nevertheless, to enable ETV programmes to become more appealing to students, EMB was considering to supplement the programmes with interactive, multi-media content distributed on VCDs or via the Internet.

16. Noting that RTHK's estimated financial provision for the programme area of "School ETV Production" in 2004-05 was \$42 million, Mr MA Fung-kwok sought information on the production cost per episode. Having regard to members' concerns about the cost-effectiveness of school ETV service, Mr MA was concerned about the Administration's view on the viability of the ETV service *per se*.

17. In response, PASEM(QE) pointed out that the number of hours of output of ETV programmes planned for 2004-05 was about 50 and the cost of production per hour was about \$840,000. Unlike other productions of RTHK, which normally lasted for one or half an hour, each episode of ETV programmes lasted for about 15 minutes which inevitably led to higher hourly cost of

production. PASEM(QE) stressed that all along, both EMB and RTHK had been striving to contain and lower the cost of ETV productions.

18. Mr MA Fung-kwok commented that the level of production cost for ETV programmes was unduly high and remarked that consideration should be given to commercializing ETV productions. In response, PASEM(QE) remarked that although ETV programme service had all along been delivered free of charge, to widen the access of such service to the community, EMB was looking at ways to sell VCDs at a reasonable price. She added that ETV programmes could also be marketed to publishers or IT educational content producers which might edit or re-package the programmes into final educational products for sale. While licensing the ETV programme content would generate income, PASEM(QE) pointed out that when appropriating the income among government departments, it was necessary to take into consideration that the Government as a whole, not RTHK alone, owned the intellectual property right of the ETV programmes.

Content Licensing

19. Noting that the annual fees generated by licensing the content produced by RTHK in the past five years ranged from \$1.64 million to \$6.9 million, Mr MA Fung-kwok considered the levels of income very low, given that RTHK's programmes were of high quality and the current market demand for quality content was great. Noting that RTHK incurred an extra direct cost of about \$600,000 annually in the process of licensing its content, not to mention the indirect costs incurred, Mr MA considered that the return on content licensing was very poor. He sought further information on the breakdown of licence fee received by RTHK by programme category per hour. He further remarked that even an average industry operator could have raised income much above the annual fees currently generated. He urged the Administration to re-consider the marketing strategy in commercializing RTHK's productions.

Admin

20. In response, DSCIT(CT) pointed out that the average production cost per hour of RTHK's television programmes was about \$380,000. She agreed to provide the information requested by Mr MA after the meeting.

21. Mr MA Fung-kwok noted that under the present arrangement, the cost incurred in the process of content licensing would be borne by the department concerned while the licence fees thus generated must be returned to the general revenue of the Government. He considered that this would discourage government departments from implementing commercialization projects. Mr MA urged the Administration to explore other options such as contracting out the process of content licensing through open tender so that government departments like RTHK would not be required to absorb the cost incurred in the process.

22. The Chairman agreed with Mr MA that under the existing arrangement, there was no incentive for RTHK to embark on any commercialization project. Citing recent examples that the BBC had licensed the distribution of its documentaries and a local film-maker had converted its quality productions into

digital video discs for sale, the Chairman was very concerned that in the face of a serious deficit problem, the Administration should be more proactive in exploring options to raise revenue, such as by commercializing the high-quality programmes in RTHK's archive.

23. Ms Emily LAU echoed the views of the Chairman and Mr MA. She pointed out that the Administration should study members' views and actively explore ways to generate revenue before considering the options to increase tax or introduce new tax. She noticed that the issue of content licensing had been discussed at various forums for some years and urged the Administration to come up with concrete proposals on the way forward for members' consideration without further delay. Mr Albert CHAN was concerned whether the delay in commercialization was due to political consideration since certain popular RTHK programmes on current affairs had satirized the Government and its senior officials.

24. In response, DSCIT(CT) explained that content licensing involved complex issues. The Financial Services and the Treasury Bureau (FSTB) had exchanged views with members on the subject of commercialization of government productions and services at the Panel on Financial Affairs meeting on 15 January 2004. The Administration had yet to make a decision due to the need to resolve issues such as intellectual property rights of the programmes, whether and how the cost and income of the project should be appropriated between the centre and the department concerned in compliance with the Public Finance Ordinance (PCO) (Cap 2). RTHK and FSTB were also in the course of discussing the feasibility for RTHK to recover the costs incurred in its production work but no decision on the way forward had yet been reached.

25. On concerns about intellectual property rights, Mr MA Fung-kowk did not subscribe to the Administration's explanation. He highlighted that the commercial value of the quality productions in RTHK's archive would be increased if they became more popular through proactive marketing. The Chairman pointed out that further delay in implementing commercialization projects might curtail the commercial value of these productions.

26. In this connection, the Principal Assistant Secretary for Commerce, Industry and Technology (Communications and Technology) (A) recapped the background and informed members that about two years ago, CITB had discussed with RTHK the feasibility of commercializing RTHK's productions. CITB also encouraged RTHK to set up a business development unit to undertake relevant marketing and sales activities. On Mr MA's earlier suggestion to contract out the process of content licensing, the Administration had in fact explored this option. In parallel, RTHK had been preparing the tendering documents for related work such as content licensing and marketing of its programme archive. For example, RTHK had attempted to collaborate with the private sector in commercializing its popular programmes *Under the Lion Rock*. Separately, CITB was examining in conjunction with FSTB possible options in dealing with the income derived from content licensing, such as the feasibility of

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establishing a development fund to support RTHK's production of high-quality programmes.

27. The Chairman suggested and members agreed that the subject of content licensing of RTHK's productions should be further considered by the Panel. They also agreed to invite the relevant bureaux (including CITB, FSTB and possibly EMB) and RTHK to revert to the Panel in June 2004 on the way forward. The Chairman requested the Administration to provide further information on content licensing of RTHK's productions that had been undertaken in the past, difficulties which had been encountered, issues requiring consideration and the proposed way forward. Having regard to PASEM(QE)'s explanation earlier on about the possibility of commercializing ETV programmes, the Chairman said that the Administration should also provide information on this aspect.

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