

立法會
Legislative Council

Revised
LC Paper No. CB(1)1198/04-05

Ref. : CB1/PL/ITB

Panel on Information Technology and Broadcasting

Meeting on 8 April 2005

**Background Brief on
Broadcasting Services of Radio Television Hong Kong**

Introduction

On 13 January 2004, the Panel on Information Technology and Broadcasting (ITB Panel) paid a visit to Radio Television Hong Kong (RTHK) and met with its senior departmental staff. Subsequently, at the meetings held on 19 April 2004 and 14 June 2004, the Panel followed up a number of key issues relating to RTHK, including the proposed Broadcasting House and the feasibility of commercializing RTHK's productions. Issues related to RTHK were also raised at the Panel meeting on 18 January 2005. During the motion debate on "policy on broadcasting" at the Council meeting on 18 February 2004 and special meetings of the Finance Committee (FC) to examine the Annual Estimates of Expenditure, some Members have also expressed concerns about the services of RTHK.

2. The ITB Panel has decided to examine the role of RTHK as a public service broadcaster and the cost-effectiveness of its operation at the forthcoming meeting on 8 April 2005. This paper outlines recent discussion on these two areas of concern.

Public service broadcaster

3. RTHK is Hong Kong's sole publicly funded broadcaster. Some Panel members are of the view that with a stable source of government funding, RTHK may have an unfair advantage over its private-sector counterparts which have to

strive hard for revenue to sustain their operations. These Panel members refer particularly to the production of popular programmes such as horse-racing reports, investment advice, top Chinese songs awards and contests, etc. They opine that while it may be acceptable for RTHK to take a pioneering role and fill a market gap in the production of certain types of programmes, RTHK should cease to be actively engaged in productions which the market can take over. RTHK may spearhead the production of programmes which are not within the realm of popular entertainment, such as programmes rich in artistic or cultural contents and those catering to the needs of minority interest groups.

4. At other forums, Members have re-affirmed the mission of a public service broadcaster to inform, educate and entertain the general public through a balanced mix of high quality programming not adequately provided by commercial broadcasters. Members generally agree that RTHK should not duplicate the services provided by commercial broadcasters and pose unfair competition to the private sector. Some Members are keen to ensure that RTHK should uphold its editorial independence and continue to provide a platform for free and unfettered expression of views; while some have expressed concern that some of RTHK's current affairs and personal view programmes are too critical of government policies and lack a balanced perspective. The programming policy of RTHK in its role as a public service broadcaster remains a subject over which diverse views have been expressed. During the motion debate on policy on broadcasting, some Members have also suggested that a comprehensive review on broadcasting policy, including public broadcasting service, should be conducted.

5. Noting that public hearings are a pre-requisite for licence renewal for commercial TV broadcasters, concern has been raised about the absence of similar requirements on RTHK. To enhance the public accountability of RTHK, some members have urged RTHK to consider holding open forums for the public to air their views on its broadcasting services.

Cost-effectiveness of RTHK's operation

Resources allocation

6. The annual financial provision allocated to RTHK during recent years and its staff establishment¹ to support its major programme areas of radio, public affairs television, school educational television (ETV) production and new media services² are as follows :

¹ The figures are taken from the relevant Estimates of Expenditure for RTHK and the annual provision includes provision for ETV service for schools which is under the policy purview of the Secretary for Education and Manpower.

² "New media services" mainly refers to "RTHK ON INTERNET" which provides, inter alia, 24-hour instant news online, live webcast of RTHK's six radio channels. Under the services, users may also access RTHK productions in the past 12 months. "New media services" has been included under

Year	2001-02	2002-03	2003-04	2004-05	2005-06
Annual provision (\$m)	515.1	515	496.0	462.7	428.5
Establishment as at end of each financial year	632	622	621	579 (revised estimate)	560 (estimate)

Commercialization of productions

7. On resources provision for RTHK, some Members consider that the high-quality programmes in RTHK's archive should be commercialized to provide a source of funding for RTHK to develop new initiatives such as new media services. Members have on various occasions urged the Administration to license the distribution and use of RTHK productions with a view to generating revenue in the form of fees or royalty payment. The Administration's stance is that raising revenue is not the primary objective of RTHK as a public service broadcaster. Nevertheless, RTHK is prepared to pursue initiatives such as content licensing which can generate additional revenue as well as fulfil its public mission.

8. In following up the matter, Panel members note that as at April 2004, RTHK has been able to generate annual revenue ranging from \$1.64 million to \$6.9 million in the past five years from content licensing. In 2004, RTHK has licensed RTHK ON INTERNET online content to mobile network operators and web portals. Nevertheless, as RTHK has to absorb the direct cost of some \$600,000 incurred in the licensing process annually, some members did not consider the licensing fees impressive. Instead, they have urged the Administration to explore other options such as outsourcing the process of content licensing so as to relieve the Government of the costs incurred. They also stressed the need to devise a more effective marketing strategy in commercializing the content produced by RTHK. In this regard, the Panel notes that with a view to testing the market response, RTHK has awarded tender to a contractor for the conversion of some 60 hours of selected RTHK programmes into VCDs and DVDs for sale. Meanwhile, the Corporate Development Unit of RTHK is tasked to explore business opportunities in commercializing RTHK's productions. Separately, the Education and Manpower Bureau is in the course of commercializing the ETV programmes produced by RTHK, such as licensing the ETV content for editing/re-packaging into new educational products or interactive learning and teaching products for sale³.

RTHK's Annual Estimates of Expenditure as a separate programme area since 2003-04.

³ The ITB Panel has informed the Panel on Education of its deliberation on the cost-effectiveness of ETV services and asked the Administration to revert to the relevant committees on further progress in due course.

9. Regarding members' concerns about the costs incurred in content-licensing initiatives and the use of the revenue thus generated, the Administration has confirmed that the Financial services and the Treasury Bureau has agreed to fund all direct costs incurred by RTHK from content licensing or other revenue-raising initiatives (except civil service personal emoluments). However, the gross licence fee generated from content licensing has to be returned to the general revenue of the Government in accordance with the requirement under the Public Finance Ordinance (Cap. 2).

Proposed Broadcasting House

10. The Panel notes that in 2000-01, the Administration proposed to re-provision the facilities and offices of RTHK scattered at different locations to a new, purpose-built building in Tseung Kwan O Area 86. Subsequently, the schedule of accommodation for the new building was reviewed and scaled down. Submission of the proposed project to the Public Works Subcommittee has since been withheld due to changes in accommodation requirement. According to the Administration's estimate in June 2004, the revised estimated cost of the project was in the region of \$1.1 billion, subject to further refinement according to the actual project scope and price levels at the time the project is implemented.

11. As advised by the Administration on 18 January 2005, the project is now in Category B of the Public Works Programme and the Administration will follow the established procedures to take forward the project, having regard to RTHK's accommodation needs and the Government's fiscal position. Noting that many of RTHK's facilities in its existing headquarters are out-dated, some members have urged the Administration to expedite the project. They consider that the costs incurred may well be met by the revenue generated if the prime site at Broadcast Drive currently occupied by RTHK is put up for sale.

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19 April 2005