



RADIO TELEVISION HONG KONG
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Public Broadcasting Review

RTHK Submission for Legco Information Technology and Broadcasting Panel

RTHK in the Digital Future:

Enhancing Capacity, Promoting Public Values

We are a local broadcasting pioneer, have set important milestones for the broadcasting sector, made significant contributions to local culture and socio-economic development, and in recent years have pioneered new media development in Hong Kong. We are, however, not complacent with our performance and are fully aware of our limitations – mainly arising from the incompatibility of the current organisational, governance and financial framework with the challenges faced by a public broadcaster in fulfilling its mission in the digital future.

2. RTHK therefore welcomes the Review of Public Service Broadcasting (PSB) as an opportunity for positive change. This is also an occasion for the public to review and take public service broadcasting in Hong Kong to the next level. RTHK is committed to embracing the challenges of a restructuring of our organisational, governance and financial framework. We are also equally committed to improving our service, public accountability, and initiating new development initiatives with the support of the community we serve. **Our expectation from the Review is that it will facilitate the enhancement of RTHK's organisational and developmental capacity so that we can better serve in our role as a public broadcaster to promote public values.** We are prepared to embrace the challenges involved should recommendation below be implemented.

Public Expectations

3. According to various independent opinion polls, the public supports the need for PSB in Hong Kong and generally agrees that RTHK has been serving well in that role.



RADIO TELEVISION HONG KONG
香港電台

The community concerns about RTHK's editorial independence, scope of programming, future development, and wider issues on freedom of expression in Hong Kong. On the whole, the majority of the Hong Kong public expects that RTHK should

- a) Continue to serve as a public broadcaster and maintain editorial independence;
- b) Serve the mass audience while taking care of the interest of minority audiences;
- c) Provide trustworthy and credible news and information, and unbiased, fact-based commentaries;
- d) Provide high quality educational, innovative and entertaining programmes;
- e) Provide programming which promotes arts and culture in the community;
- f) Improve continuously public accountability; and
- g) Restructure the organisation as a body independent from the Government free of political and commercial interference.

Our Missions and Roles

4. As the sole public broadcaster in Hong Kong, RTHK upholds the core values of *editorial independence, impartiality, serving the public, quality production, development of talent*, as well as the principle of *gaining public trust*. We share the global values and missions of public broadcasters around the world, namely, *universality, diversity, independence, distinctiveness of programming, and promotion of public values, in particular the values of freedom of expression, openness, expanding public spheres, pluralism and diversity, democratic and civic participation, and caring community*.

5. In line with public expectations, RTHK should be active in the following major roles in Hong Kong:

- a) Continue to be an editorially independent public broadcaster and a prominent player in the future scenario of PSB locally, given our experience and expertise of serving this role for decades;
- b) Enhance public broadcasting by producing quality and distinctive programming for a broad spectrum of audiences and cater to the needs of minority interest



RADIO TELEVISION HONG KONG
香港電台

- groups;
- c) Promote values of freedom of expression, plurality, cultural diversity, democratic / civic participation in Hong Kong;
 - d) Be a leading broadcaster and local pioneer in the digital media environment so as to facilitate technological development and innovation in Hong Kong;
 - e) Expand platforms for the voices of the community; and
 - f) Promote creativity and nurture talents so as to facilitate general development of the broadcasting industry.

Our Commitments to Better Serve the Community

6. RTHK will continue to improve its performance, services and public accountability; and collaborate with other broadcasters on a level-playing field to further develop the broadcasting sector in Hong Kong.

7. We are committed to the following future development plans **if provided with appropriate institutional capacity and sustainable financing**:

- a) Digitalisation of broadcasting in both digital audio broadcasting (radio) and high definition television (HDTV);
- b) Reinforcement of multimedia services in connecting Chinese communities around the world;
- c) Launching a new and independent TV channel;
- d) Reprovisioning to a new and modern broadcasting headquarters;
- e) Digitalisation of the RTHK archives to promote public access to the local heritage; and
- f) Nurturing local broadcasting talents, for example by increasing the commissioning of RTHK TV programmes from 4 per cent at present to 25 per cent.

8. We pledge to improve our public accountability.

- a) RTHK will continue to strengthen internal management and audit systems so as to ensure proper use of public funds. In whatever organisational form we shall become, RTHK will improve its measures of accountability to the public, the



legislature and the Government.

- b) The spirit of public engagement and acceptability will be rooted in our work. In addition to current measures (such as TV Advisory Panel, Radio Listeners Panel, various public surveys), we will explore new methods, for example international benchmarking, key performance indicators and regular public consultations to gauge public opinion on our programming, service and development directions.

Our Recommendations

9. In order to fulfill our commitments and aspirations outlined above, the governance framework and financing arrangements of RTHK must be restructured.

i) Principles of good governance

10. RTHK's governance framework must adhere to four core principles of good governance for a public service broadcaster: public accountability, institutional independence, operational flexibility, and sustainability.

ii) Statutory RTHK Corporation

11. After reviewing our current difficulties and overseas PSB models, we conclude that the best way forward is for RTHK to be restructured into a statutory corporation (RTHK Corporation, RTHKC) by way of new legislation. Legislation and a new governance framework will provide the basis for strengthening,

- a) RTHK's editorial independence and public accountability so as to command stronger public confidence; and
- b) Operational flexibility and developmental capacity of RTHK in order to meet developmental challenges in the digital future.



12. The main principles of the RTHKC model are as recommended below.

- a) **Legislation:** The RTHKC legislation must (i) provide the mandate for public service broadcasting under the principle of universality; (ii) promote and guarantee the independence of RTHKC from political or commercial interference within a framework of public accountability; (iii) ensure stable financial provision for RTHKC; and (iv) specify that the public broadcaster is truly independent and that an arms-length relationship between the broadcaster and government is maintained.

- b) **Governing Board and CEO:** The roles of the Governing Board and CEO and the management team must be different and distinctly defined in the legislation. The Governing Board should be responsible for ensuring good governance of RTHKC. The CEO (also the Chief Editor of RTHKC and a voting member of the Governing Board) and management team will be responsible for the editorial policy and day-to-day operation of RTHKC; and report to the Governing Board.

- c) **Composition, Appointment and Tenure of Governing Board:** Appointment to RTHKC Governing Board is a highly critical factor in determining the RTHKC's values, directions of development, and priorities of resources allocation. Hence, the appointment mechanism and process must demonstrate the elements of democratic participation, openness, diversity and independence, in line with the social needs and values of Hong Kong. In this regard, the CUHK survey in June 2006 shows that over 42 per cent of respondents suggested nomination by civil society groups.

Taking into account both public views and overseas models, we propose the appointment mechanism for RTHKC Governing Board be as follows.

- i) The appointment should be free from political and commercial interference.
- ii) In order to ensure a broad representation of the public and expertise, the board membership is proposed to be between 10 to 20.
- iii) Members should support the values of PSB and be drawn from a wide range of professions and sectors: including broadcasting, media, journalism, legal, technology, arts, culture, finance, education, social service, and /or business;



- as well as representatives from the public at large.
- iv) There should be a staff-elected representative with a special responsibility to reflect professional views on the editorial and programming matters.
 - v) A transparent and consultative process of appointment is recommended. Introduction of an element of election, selection and / or open nomination of board members should be considered.
 - vi) The tenure of each Governing Board should be no more than three years and each member may be able to serve up to two terms.

iii) Financing arrangements

13. At present, RTHK operates on a cash budget basis of around \$440 million, excluding overheads shared by the whole government budget and staff on-cost, such as staff pension and fringe benefits. The current funding of RTHK is totally dependent on the Government's General Revenue and is supplemented by a limited amount of non-commercial sponsorship of programmes or special projects.

14. Government funding ensures that RTHK can operate under no commercial pressure. However, resource allocation on an annual basis has made it inflexible and difficult for RTHK to plan for long-term investment and strategies in the digital future as explained. RTHK remains relatively backward in the inevitable migration from analogue to digital production. Financial sustainability is an issue.

15. According to the polls, the public clearly wants the public service broadcaster to be independent of government and commercial intervention. Over 80 per cent of the respondents in the HKU opinion poll in March 2006 agreed so. In another CUHK poll in February 2006, respondents considered that the government should either increase funding for RTHK (37.4 per cent) or maintain the same level of resources to the public broadcaster (57.8 per cent).

16. It is recommended that the guiding principles for the future funding sources and financing arrangements for RTHKC should:



- a) Ensure actual and perceived operational independence from government and the commercial market;
- b) Be sustainable and acceptable to the public, widely and deeply rooted among citizens; and promote a sense of public ownership of RTHKC;
- c) Be accountable to the public;
- d) Be stable and sufficient for long-term planning and technological investments in the new media environment; and
- e) Be a mixed model of stable public funding and alternate sources for recurrent expenditure, plus a development fund for capital projects.

17. On the basis of the principles above, we recommend that the funding of RTHKC should primarily be public. The following options for public funding may be considered for recurrent purposes, each of which has different strengths and limitations.

- a) **Direct Government funding on a 3 or 5-year basis:** The Government will provide funding, as endorsed by Legislative Council, for RTHKC on the basis of a three to five years cycle, so as to enhance the operational independence of RTHKC and facilitate long-term planning. RTHKC should be allowed to retain savings from the provision.
- b) **Licensing fee by households:** From overseas experience, licensing fee payment by all households is an ideal form of funding for public broadcasters because the funding arrangement is the most stable and widely rooted in all citizens. Funding by licensing fee will be the best way to ensure public ownership of RTHKC. However, there is no such precedence in Hong Kong. Public acceptability of a new levy is not likely for the time being and it will incur administrative costs in collecting the new levy.
- c) **Government Rates:** A percentage of Government Rates could be designated as the recurrent revenue for RTHKC. The Government Rates is levied at 5 per cent of property income at present. Funding by Government Rates mirrors the BBC model of a license fee paid by each household. This funding arrangement is the most stable and widely applicable to all citizens; and thus appropriate for the



purposes of an independent public broadcaster. Moreover, there will be no additional administrative costs for implementing the collection of Government Rates.

18. All the public funding options have different degree of compatibility against the five principles at paragraph 16 above.

19. In addition to the annual recurrent funding, we recommend that a development fund for capital projects and investment should be established by seed money from the government and public donations.

20. Apart from public funding as the primary source, RTHKC may explore other funding sources as auxiliary income. RTHKC should be able to accept public donations and arrangements should be put in place to ensure that there will be no actual or perceived interference from major donors. Other income sources could include non-commercial and commercial sponsorship, marketing of programmes, sales and marketing of merchandise such as programme-related souvenirs and publications. When exploring alternative funding sources, the principle of independence of RTHKC from commercial and market pressures should not be compromised.

21. We believe strongly that funding must be stable, predictable and sustainable. At the start, full expenditure of RTHKC should be covered by public funding. Consideration of an independent TV channel for RTHK will involve funding substantially higher than the existing level. After the first funding cycle, RTHKC could increase its income from alternative funding sources, gradually to 5% then 10%, based on practical experience in raising alternate sources of income by RTHKC.

iv) Programming

22. Similar to other long established public broadcasters over the world, RTHK has a proud record of making distinctive and high quality programmes built upon the solid expertise of its production team. We pledge to operate with professionalism, responding in a timely manner to the changing demands of the community. In the



future RTHKC, we will continue to serve our audiences by producing a balanced mix of information, educational and entertainment programmes with guidance on overall programming objectives provided by the Governing Board.

23. Looking to the future, RTHK should always play a leading role in promoting creativity and culture in Hong Kong. We should be a major player in stimulating the development of an independent production sector, by increasing the percentage of programmes we commission. In the longer term, we should consider increasing the proportion of commissioning to 25 percent. The success of this initiative would depend on two factors: (a) that RTHK should operate its own television channel, and (b) that an adequate level of funding should be provided for productions.

24. Right now, we spend slightly more than HK\$200 million to make television programmes for broadcast on commercial networks each year. To operate our own TV channel, we would need a much bigger budget. On that basis, a 25% commissioning plan would mean creating a pool of funds large enough to attract talents from the independent sector. It would be a good investment for Hong Kong, for the development of culture in general and for the independent film and documentary industry in particular. It would also be an investment in our future, and would promote Hong Kong's aspiration to be Asia's world city.

25. We believe the public expects RTHKC to play an even more active role in promoting creativity and culture in Hong Kong. It is therefore very likely that we would need to launch a new and independent digital TV channel, which will incur additional capital investment and annual recurrent costs. At this stage, we envisage a channel with at least 4 – 6 hours of programming daily, including a full-fledged news service. There will be different scenarios in projecting the estimates for setting up the TV channel, largely depending upon the content and range of programming to be provided. In order to arrive at an appropriate level of recurrent funding, we propose to conduct a consultancy study on the estimates for the different scenarios. In addition, the existing RTHK premises will not be able to accommodate the operation of a full TV channel. It will need to operate from a new site and this will incur costs for reprovisioning. Our rough estimate on capital costs is about \$1.3 billion, including costs for new digital production equipment.



v) Smooth staff transition

26. Staff are the major asset of RTHK. In order to preserve quality programming and service to the public, smooth staff transition is important. In accordance with the Civil Service Bureau Circular No. 26/91 on “General Guidelines for Staffing Issues in Privatisation / Corporatisation Exercises,” the principles of staff participation and consultation, transition of all staff, option for civil servants to retain their status must be observed. We have pledged to fully consult staff and reflect their views. We also foresee the need for a reasonable salary and emoluments structure in order to attract good people to work in the new RTHKC.

v) Public accountability and engagement

27. Once the legislation for RTHKC is enacted, the framework of accountability (including financial accountability) to the Government, Legislative Council and public, as well as the responsibilities of the Governing Board will be introduced into the law. To strengthen financial accountability, systems of annual financial reporting, internal and external auditing will be established. RTHKC will continue to come under the content regulation of the Broadcasting Authority (or a new Communications Authority in future). In addition to adopting the current measures (such as TV Advisory Panel, Radio Listeners Panel, Radio Audience Survey, TV Appreciation Index Survey, Service Hotline, and Channel Heads’ Hotlines), we would plan to devise new methods, for example to benchmark the quality of RTHK/RTHKC as a public service broadcaster with overseas counterparts using key performance indicators (KPIs) or international benchmarking. Furthermore, we will conduct regular public consultation to gauge public opinions on our programming, service and development directions.

Conclusion

28. RTHK has been serving as a public broadcaster for the Hong Kong community for over 78 years. Our basic purposes are to inform, educate and entertain the Hong



RADIO TELEVISION HONG KONG
香港電台

Kong community. We are grateful for the staunch support of and trust from the public as well as dedication of our staff in providing quality programming accessible to everyone in our community. At RTHK, we are never complacent of our past contributions recognised internationally and are aware of the limitations in the current governance and financing arrangements. In the digital future, our two additional missions are to facilitate Hong Kong's development of digital broadcasting and to promote public values. To achieve this, RTHK must be restructured appropriately as regards its governance framework, funding scheme and accountability mechanisms.

29. The consensus here is that the optimum sustainable model is to restructure RTHK into a statutory corporation under a new legislation to protect editorial independence, provide sustainable funding for development and ensure an independent management accountable to the public. RTHK is prepared to embrace the tremendous challenges ahead should our recommendations be adopted. Our aim is to serve the Hong Kong community.

Radio Television Hong Kong

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