

The Audit Commission ("Audit") conducted a review of the provision of programmes by the Radio Television Hong Kong ("RTHK").

2. RTHK operates seven radio channels and five television ("TV") channels¹ and produces school education TV ("ETV") programmes for kindergartens, primary and secondary schools. The total number of output hours for radio, TV and school ETV programmes in 2017-2018 were 57 359, 1 409 and 19 respectively. RTHK also provides online and mobile access to its digital platforms and contents² around the clock all year round. In 2017-2018, RTHK's expenditure was \$1,008.4 million and its income was \$20.7 million.

3. The Committee noted the following findings from the Director of Audit's Report:

- the number of non-civil service contract ("NCSC") staff had decreased from 291 (35%) as at 31 March 2014 to 188 (22%) as at 31 March 2018. However, the percentage of NCSC staff of RTHK was significantly higher than that for all government bureaux/departments (5.5% as at 30 June 2017). Of the 188 NCSC staff, 28 had been continuously employed for 10 years or more and the longest period of employment was 18.8 years;
- Audit examination of 65 contract requests initiated in the period from February 2016 to May 2018 for engagement of Category II ("Cat II") Service Providers³ revealed that the following contract requests were not submitted and processed in accordance with RTHK's related policy and guidelines:

¹ The five TV channels include three digital terrestrial TV channels (TV 31, TV 32 and TV 33) and two analogue TV channels (TV 31A and TV 33A).

² The online platforms provided by RTHK include the RTHK website "rthk.hk", seven mobile applications and social media (e.g. YouTube, Twitter and Facebook, etc.)

³ Cat II Service Providers are independent contractors or self-employed persons who are engaged for a specific purpose in the production of programmes, for example, artistes, presenters, scriptwriters, translators and technical producers. In 2017-2018, RTHK had 2 143 contracts with 1 926 Cat II Service Providers.

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- (a) 39 (60%) contract requests were not submitted for checking seven working days before the engagement as stipulated in the relevant RTHK Administrative Circular;⁴
 - (b) one (2%) contract request was submitted for checking and approved after the start date of the engagement period, but no documentary evidence was available showing the reasons and circumstances for seeking covering approval; and
 - (c) engagement of one contract commenced before the contract was issued;
- RTHK's acquisition procedures of TV and radio programmes were not in line with the procedures stipulated in the Government's Stores and Procurement Regulations. According to the findings of a review completed by the Hong Kong Independent Commission Against Corruption in December 2015, RTHK's practice of acquiring programmes by proposing the price and then negotiating with the supplier could pose a collusion risk of circumventing the controls built in the standard government procurement procedures with a view to favouring a supplier;
 - RTHK required participants of the Community Involvement Broadcasting Service ("CIBS")⁵ to submit their programme recordings one month before the scheduled broadcasting date for the first two episodes and two weeks before the scheduled broadcasting date from the third episode onwards. The CIBS participants were also required to submit the post-broadcast reports⁶ after the completion of the programme. Audit examination of the submission of 156 programme recordings for 12 programmes broadcast during the period from April 2015 to April 2018 and the timeliness of the

⁴ RTHK Administrative Circular on engagement of Cat II Service Providers stipulates that the contract request must route through checking staff, preferably seven working days before the engagement.

⁵ CIBS was launched in December 2012 to promote a wide range of social gains to the community, in particular (a) plurality, diversity and social inclusion; (b) mutual respect, social empathy and civic mindedness; (c) creativity, uniqueness and talent nurturing; and (d) community involvement.

⁶ Post-broadcast reports include self-evaluation reports in which the participants give their views on whether the expected deliverables of the programmes were achieved, and Limited Assurance Engagement Reports, together with the statements of expenditure, prepared by accredited/registered accounting firms.

submission of post-broadcast reports for these 12 programmes revealed that:

- (a) of the 24 programme recordings for the first two episodes, 12 (50%) were submitted on average 10 days late;
 - (b) of the remaining 132 programme recordings for the third episodes onwards, 71 (54%) were submitted on average 11 days late;
 - (c) 7 (58%) of the 12 self-evaluation reports were submitted on average 62 days late; and
 - (d) 7 (58%) of the 12 Limited Assurance Engagement Reports were submitted on average 82 days late;
- the CIBS programmes were only broadcast on channel Radio 7. According to the results of the 2017 Radio Audience Survey, the listenership and awareness level of Radio 7 were only 2.3% of the population and 2.8% of the respondents, and only 21% of the respondents was aware of CIBS;
 - RTHK had introduced a scheme for commissioning private production houses to produce TV programmes since 2000. The contractors were required to submit production materials in different production stages and an audited report to account for their expenditures. Audit examination of 15 commissioned programmes completed in the period from July 2016 to April 2018 revealed that:
 - (a) all the 15 programmes had delays in submission of production materials (averaging two months); and
 - (b) audited reports for 13 (87%) of the 15 programmes were submitted on average 2.9 months late;
 - Audit analysis of the number of output hours of commissioned programmes for the period from 2013-2014 to 2017-2018 revealed that the number of output hours of commissioned programmes per year was very small, ranging from 21 to 33 hours, making up only 1.5% to 3.5% of the total output hours of TV programmes;

- Audit analysis of the broadcasting hours for 2017-2018 revealed that:
 - (a) the number of first-run programme hours for Channel TV 31⁷ (1 409 hours) and Channel TV 32⁸ (2 073 hours) only represented 20.3% and 33.4% respectively of the operating hours, or 16.1% and 23.7% respectively of the total broadcasting hours;
 - (b) the number of re-run programme hours for TV 31 and TV 32 (i.e. 4 877 hours and 2 021 hours respectively) represented 70.3% and 32.6% respectively of the operating hours, or 55.7% and 23.1% respectively of the total broadcasting hours; and
 - (c) for TV 31 and TV 32, 20.8% and 53.1% respectively of their broadcasting hours were used to broadcast miscellaneous contents;⁹
- Audit examination of 15 licence contracts signed in the period from 2015-2016 to 2017-2018 revealed that the prices for 12 (80%) of contracts were on the lower side of the price ranges and close to the minimum of the price ranges set. Although the minimum prices had been set, there were no guidelines on how the offer price to potential licensees should be determined;
- the latest Public Opinion Survey 2018 indicated that only 24.2% and 18.4% of the respondents used mobile applications and the RTHK website "rthk.hk" respectively to access RTHK programmes. The daily page views of the "rthk.hk" website decreased by 45% from 5.1 million in April 2015 to 2.8 million in June 2018;
- RTHK imposed two additional mandatory requirements, namely "Established for at least 15 years" and "Conducted at least 20 appreciation surveys", in selecting service providers for the TV Appreciation Index ("TVAI") Surveys¹⁰ in the procurement exercises

⁷ Channel TV 31 is the flagship channel of RTHK, which offers diversified programmes, aiming to cater to the needs of audience from all walks of life.

⁸ Channel TV 32 is a live event channel, which covers Legislative Council meetings, important local press conferences, international news, international sports news and local sports events.

⁹ Miscellaneous contents include fillers (e.g. slow TV), on-air promotions and Announcements of Public Interest.

¹⁰ Since 1989, RTHK has conducted TVAIA Surveys quarterly to measure the audience's appreciation level (i.e. appreciation index) to the locally produced TV programmes. RTHK has also invited three other local TV operators to join the survey and the cost is borne by RTHK.

conducted in 2015 and 2017. Such requirements might create obstacles to competition amongst the potential service providers;

- Audit analysis of the results of the TVAI Survey 2017 revealed that of the nine RTHK programmes in the Top 20 List,¹¹ the awareness level of five programmes ranged from 1.5% to 13.8%, well below the average of 17.1% of all 223 programmes;
- the TV ratings reports for RTHK Channels TV 31/31A¹² for the period from January to June 2018 revealed that the average TV rating of TV 31/31A was low. The average rating for TV 31/31A for the six-month period was 0.1 (i.e. 6 400 viewers).¹³ Audit analysis of six RTHK programmes which had also been broadcast on the free channel of a commercial TV operator for at least three months in the same period revealed that the TV ratings of these six programmes when broadcast on TV 31/31A were much lower than those when the same programmes were broadcast on the free channel of a commercial TV operator;
- Audit analysis of the key performance indicators for public affairs and general TV programmes between 2013-2014 and 2017-2018 showed that the number of programmes per programme staff ranged from 8.2 to 12.8 and the cost per hour of the programme ranged from \$276,200 to \$472,900;
- according to the Education Bureau ("EDB"), the average number of school ETV programmes watched by each class decreased significantly across levels for the first few years after 2004-2005 due to the availability of school ETV programmes on the Internet since 2004-2005 and the gradual cessation of designating lessons for watching school ETV programmes in schools;
- Audit analysis of the key performance indicators for school ETV programmes revealed that the number of programmes per programme staff dropped by 23% from 11.4 in 2008-2009 to 8.8 in 2017-2018 and the cost per hour of the programme increased significantly by 105% from \$0.77 million to \$1.58 million during the same period; and

¹¹ The Top 20 List is the list of 20 programmes among all programmes from all channels including commercial channels that have the highest appreciation index scores covered in the TVAI Survey.

¹² TV 31A simulcasts the programmes of TV 31.

¹³ Each score of rating represents around 64 000 viewers.

- EDB and RTHK had not formulated any commissioning strategy or drawn up any definite plan for commissioning the production of school ETV programmes in response to the recommendation made in 2003 by the Standing Committee on the Development of the ETV Service that EDB and RTHK should work on an outsourcing strategy to progressively increase the proportion of outsourced programme production from 5% in 2004 to not less than 50% in the long term.

4. The Committee did not hold any public hearing so far on this subject. Instead, it has asked for written responses regarding the employment of NCSC staff and engagement of Cat II Service Providers by RTHK; progress of the RTHK's review on its acquisition procedures for TV and radio programmes and the compliance matters relating to such procedures; measures to improve CIBS and to raise the public awareness of CIBS programmes; commissioning of TV programmes; progress of devising strategy for re-run programmes and measures to better utilize the broadcasting hours of TV 31 and TV 32; basis of price determination and documentation of negotiation process for content licensing; usage of new media services; procurement of service for TVAI Surveys; evaluation of RTHK's TV and school ETV programmes; and the cost-effectiveness of the continuous provision of school ETV service. The replies from **Secretary for Commerce and Economic Development, Secretary for Education, Secretary for Financial Services and the Treasury** and **Director of Broadcasting** are in *Appendices 26* and *27, 28* and *29, 30* and *31*, and *32* to *34* respectively.

5. Based on the replies from the Administration, the Committee notes that reviews on various issues covered in this chapter undertaken by RTHK and EDB are still underway. The Committee wishes to be kept informed of the progress of these reviews, and would consider the need to take any further actions on the subject, pending the outcome of these reviews.