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Panel on Information Technology and Broadcasting

**Information note on the arrangements for
the existing sound broadcasting licence of
Hong Kong Commercial Broadcasting Company Limited and of
Metro Broadcast Corporation Limited**

Purpose

As requested by members at the special meeting of the Panel held on 27 June 2003, this note informs members of the arrangements for the existing sound broadcasting licence of Hong Kong Commercial Broadcasting Company Limited (CRHK) and of Metro Broadcast Corporation Limited (Metro).

Background

2. The sound broadcasting regime is set out in Part IIIA of the Telecommunications Ordinance (Cap.106) (TO). According to section 13E(1) of TO, the Broadcasting Authority (BA) shall submit recommendations to the Chief Executive in Council (CE in Council) concerning the renewal of a licence and the terms and conditions to be imposed not less than 15 months before the expiry date of the licence or such shorter period as the CE in Council may permit. Having considered BA's recommendations, CE in Council may renew or refuse to renew the licence. CE in Council may also extend the terms of the licence if it is necessary for the due compliance with the provisions on licence renewal in section 13E of TO. The Ordinance does not contain express provisions on the duration of a sound broadcasting licence.

Current arrangements for the two sound broadcasters

Hong Kong Commercial Broadcasting Company Limited

3. At the meeting of the Executive Council on 2 May 2000, CE in Council approved the recommendations of BA to renew the sound broadcasting licence of CRHK for a period of three years from 26 August 2001 to 25 August 2004. Prior to the aforesaid renewal, CRHK had been granted a licence in August 1989 for a term of 12 years expiring on 25 August 2001.

4. During the period mid-1998 to end-1999, the three local sound broadcasters, namely, CRHK, Metro and Radio Television Hong Kong, jointly conducted a technical trial of digital audio broadcasting with a view to examining its technical feasibility in Hong Kong. According to the Administration, the results of the technical trial were, in general, positive and assuring. At the same time, the former Information Technology and Broadcasting Bureau had commissioned a consultancy study to examine, among others, the market position of digital audio broadcasting in the multi-media market environment. On the basis of the findings of the technical trial and the consultancy, the Administration would formulate policy proposals on digital audio broadcasting for consultation with the industry and the community later in the year.

5. The introduction of digital audio broadcasting would have significant impact on the sound broadcasting industry. Pending finalization of the policy on digital audio broadcasting, it would not be possible for CRHK to assess the impact of digital audio broadcasting on its business operation and to submit a long-term investment plan in support of its application for a 12-year licence. In this connection, CRHK had submitted to BA an application for a three-year short-term sound broadcasting licence on 27 August 1999.

6. In view of the above, BA recommended and CE in Council approved the renewal of CRHK's licence with essentially the same terms and conditions for three years from 26 August 2001 to 25 August 2004. This arrangement would enable CRHK to continue its existing analogue sound broadcasting service without disruption and allow the Government sufficient time to consider and formulate the long-term policy on digital audio broadcasting.

Metro Broadcast Corporation Limited

7. At the meeting of the Executive Council on 26 February 2002, CE in Council approved the recommendations of BA to extend the period of validity of the sound broadcasting licence of Metro until 25 August 2004. Prior to the aforesaid extension, Metro held a licence granted on 1 June 1991 for a term of 12 years expiring on 31 May 2003.

8. At its meeting on 10 May 2001, when considering the renewal of Metro's 12-year licence due to expire in May 2003, BA came to the view that the licence should be extended, instead of renewed, to tally with the expiry date of the renewed sound broadcasting licence of CRHK on 25 August 2004. BA's view was based on the following considerations:

- (a) The position on digital audio broadcasting should be clearer by mid 2002. Extending Metro's licence, instead of renewal for a longer term, would enable Metro to assess the impact of the new regulatory approach on its business operation; and
- (b) Conducting future renewals, if any, of the respective sound broadcasting licence of CRHK and Metro together would achieve some economy of scale and avoid duplication of resources and efforts.

9. According to the Administration, Metro had confirmed its agreement to the extension of its licence on the amended terms and conditions to reflect the relatively short validity period of the licence. As recommended by BA, CE in Council approved the extension of Metro's licence until 25 August 2004.

Issues relating to digital audio broadcasting

Discussion at Panel

10. The Administration has issued Legislative Council Briefs to inform Members of the renewal of the sound broadcasting licence of CRHK (ITBB (CR)9/12/2(00) dated 3 May 2000) and the extension of the sound broadcasting licence of Metro (ITBB(CR)9/13/2(01) Pt. 6 dated 27 February 2002). The Panel has not discussed the renewal/extension of the licence of CRHK and of Metro per se in 2000 and 2002.

11. At the meeting held on 11 December 2000, the Panel received a briefing by the Administration on the key policy proposals in the "Consultation Paper on Digital Terrestrial Broadcasting in Hong Kong" issued on 1 December 2000. The main concern of the Panel's deliberation at that meeting was on digital terrestrial television rather than digital audio broadcasting. Members had exchanged views with the Administration on the following major issues :

- (a) Allocation of multiplexes in connection with implementing simulcast and the introduction of High Definition Television; and
- (b) Transition from analogue to digital terrestrial television broadcasting.

12. The question of low penetration rate of digital audio broadcasting in the United Kingdom and Singapore was brought up. In this regard, members noted that the commercial operation of digital audio broadcasting had only been launched in the United Kingdom in 1998 and in Singapore in 1999. The Administration had advised that according to studies conducted, the low penetration rate was due to the high market price of digital audio broadcasting receivers which consumers might not be willing to pay.

The Administration's views

13. The Administration has maintained its position in the "Consultation Paper on Digital Terrestrial Broadcasting in Hong Kong" that the introduction of digital audio broadcasting service in Hong Kong should be driven by market forces. In its information paper to report progress of the formulation of digital terrestrial broadcasting policy (LC Paper No. CB(1)2183/01-02 issued in July 2002), the Administration advised that applications for providing digital audio broadcasting service would be invited when there were clear market potential for the services and affordable consumer equipment. It further advised that the existing sound broadcasting licensees in general agreed that the introduction of digital audio broadcasting service should be market-driven. When discussing issues relating to sound broadcasting licence renewal at the special Panel meeting on 27 June 2003, the Administration has informed members that its position on digital audio broadcasting in Hong Kong is still open.

14. The Administration has indicated that it will brief the Panel on the way forward for digital terrestrial broadcasting (both television and sound broadcasting) in late 2003. This issue has in fact been included in the Panel's "List of outstanding items for discussion".

Advice sought

15. Members are invited to note the content of this paper.

Council Business Division 1
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