



通訊事務管理局  
COMMUNICATIONS  
AUTHORITY



ANNUAL REPORT 2013/14 年報

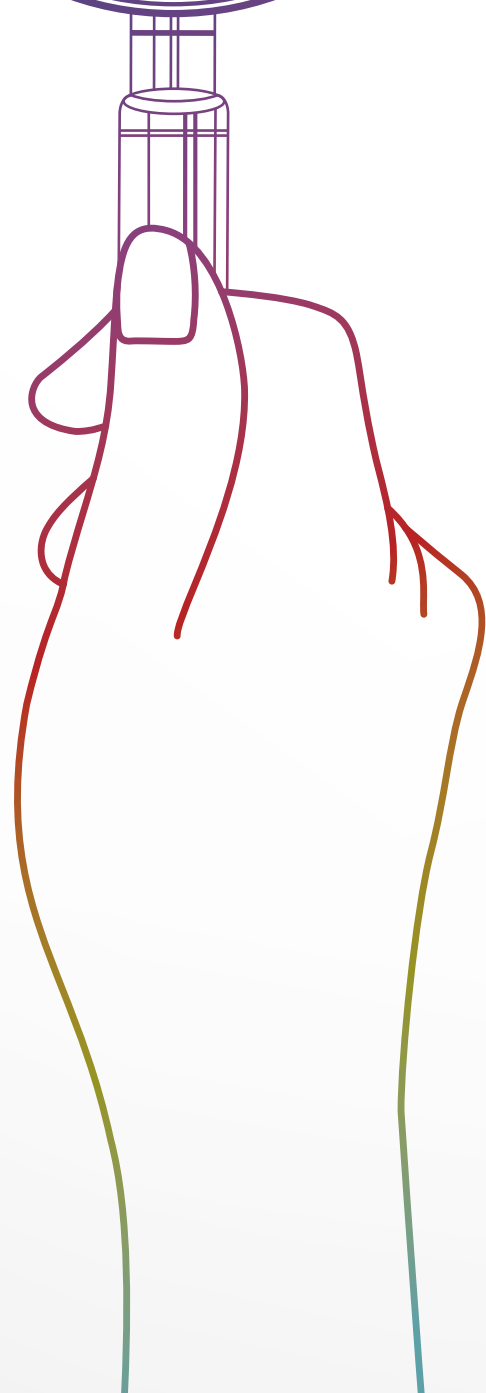






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## The Communications Authority

The Communications Authority (the Authority) serves the people of Hong Kong in its capacity as an independent regulator of broadcasting and telecommunications services.

### Vision

Our vision is that Hong Kong has the world-class communications services to meet the challenges of the information age.

### Mission

- fostering an environment that supports a vibrant communications sector to enhance Hong Kong's position as a communications hub in the region;
- encouraging innovation and investment in the communications market;
- promoting competition and adoption of best practices in the communications market for the benefit of the industry and consumers; and
- acting in a manner consistent with the provisions of the Hong Kong Bill of Rights Ordinance (Cap. 383).





I am pleased to present the second annual report of the Communications Authority (the Authority) covering the period from April 2013 to March 2014. The year under review has been another challenging year for the Authority. In this report, I shall review the efforts made and results achieved by the Authority in carrying out its mission amidst Hong Kong's fast-evolving broadcasting and telecommunications landscape, as well as the challenges that lie ahead.

## A THRIVING BROADCASTING MARKET

### Domestic Free Television Programme Services

Digital terrestrial television (DTT) broadcasting, which offers an improved picture quality, has been generally well received and accepted by the viewing public in Hong Kong since its introduction in December 2007. The coverage of the DTT network has reached at least 99% of the population, i.e. on a par with that of analogue television broadcasting, by September 2013. The digital take-up rate was about 80% of all the households as at March 2014. As at end March 2014, there were a total of 11 digital free-to-air channels, of which six were round-the-clock high definition television (HDTV) channels including a news channel. These digital channels offer more choices for the viewers.





In October 2013, the Chief Executive in Council (CE in C) approved in principle the applications of Fantastic Television Limited (Fantastic TV) and HK Television Entertainment Company Limited (HKTVE) for domestic free television programme service licences. The Authority has been following up with the two applicants on the licence applications with a view to submitting to the CE in C recommendations on whether new licences should be formally granted to Fantastic TV and HKTVE and the associated licence conditions.

In November 2013, the two domestic free television programme service licensees, Asia Television Limited (ATV) and Television Broadcasts Limited (TVB) submitted applications for renewal of their licences, which are due to expire in November 2015. The Authority has been carrying out a comprehensive assessment of the performance of the two licensees, and conducted an extensive public consultation exercise, including three public hearings and an independent survey, in the first half of 2014 to collect public views. Having regard to the overall assessment of the two licensees and the public views received, the Authority will make recommendations on the licence renewal applications to the CE in C by November 2014.

## Domestic Pay Television Programme Services

Over the period under review, the domestic pay television market continued to grow in terms of programming variety and service development. While there was a slight increase (0.7% or approximately 17 000 subscribers) in the aggregate number of subscribers of licensed pay television services, the total number of pay television channels offered by the three domestic pay television programme service licensees increased by 7.5% from 372 to 400. At the same time, the total number of HDTV channels offered by the licensees has shown a significant increase (86%) from 35 to 65 within the same period.

In September 2013, PCCW Media Limited (PCCW Media) submitted to the CA an application for renewal of its licence, which is due to expire in September 2015. The Authority has been carrying out a comprehensive assessment of the performance of the licensee, and conducted a public consultation exercise to collect public views. Having regard to the overall assessment of the licensee and the public views received, the Authority will make recommendations on the licence renewal application to the CE in C by September 2014.

## Roll-out of Digital Audio Broadcasting (DAB) Services

The three DAB licensees, viz. Digital Broadcasting Corporation Hong Kong Limited (DBC), Metro Broadcast Corporation Limited (Metro) and Phoenix U Radio Limited (Phoenix U Radio), formally launched DAB services in 2012. As at end March 2014, the DAB licensees and Radio Television Hong Kong (RTHK) provided a total of 16 round-the-clock DAB channels, and the number of DAB channels is expected to increase to 18. The introduction of DAB services has enhanced programming choices and provided better sound quality as compared to analogue broadcasting.





## RAPID GROWTH OF THE TELECOMMUNICATIONS MARKET

### Availability of 4G Services Has Given a Further Boost to Mobile Data Usage

Thanks to the promising growth of fourth generation (4G) mobile services, Hong Kong's telecommunications market continues to flourish during the year under review. By March 2014, the number of mobile subscribers rose to 17.1 million, among which over 12.4 million were users of third generation (3G)/4G services. All mobile network operators are offering 4G services at affordable prices. Mobile data services are available at downlink speeds of up to 150 megabits per second (Mbps) using Long Term Evolution (LTE) technology. In March 2014, the monthly mobile data usage further surged to 12 975 Terabytes, representing 1.4 times and 2.6 times the monthly usage over the same period in 2013 and 2012 respectively. The average mobile data usage of each 2.5G/3G/4G mobile user rose to 1 036 Megabytes per month in March 2014, compared with 840 Megabytes in March 2013 and 588 Megabytes in March 2012. The increasing popularity of 4G mobile services has further boosted mobile data usage. The Authority will continue to take the necessary measures to facilitate the robust development of the mobile services market.

### Development of the Fixed-broadband Service Market

Broadband access to various applications and content services has become an integral part of the life of Hong Kong people. As of March 2014, there were around 2.2 million residential and commercial fixed broadband subscribers, with a household penetration rate of 83%. Broadband services are available at speeds up to 1 gigabit per second (Gbps). Over 92% of broadband subscribers are using service plans with speeds at 10 Mbps or above.

## ENHANCED CONSUMER PROTECTION

### Implementation of the Trade Descriptions Ordinance (Unfair Trade Practices) (Amendment) Ordinance 2012

Under the Trade Descriptions (Unfair Trade Practices) (Amendment) Ordinance 2012, which came into effect on 19 July 2013, the Authority is conferred concurrent jurisdiction with the Customs and Excise Department to enforce the Trade Descriptions Ordinance (TDO) in relation to commercial practices of licensees under the Telecommunications Ordinance (Cap. 106) (TO) and the Broadcasting Ordinance (Cap. 562) (BO) directly connected with the provision of telecommunications and broadcasting services. Between 19 July 2013 and 31 March 2014, in exercising the powers delegated by the Authority, the Office of the Communications Authority (OFCA) received and handled a total of 359 complaints under the TDO. Among these complaints, 160 were closed for there being insufficient evidence to suspect/establish a contravention or falling outside the scope of the TDO, five complaints were closed after advisory letters were issued to the licensees concerned with a view to improving the relevant commercial practices in relation to the supply of telecommunications or broadcasting services to consumers, and the rest were under process at various stages.





## REGULATORY AFFAIRS IN THE TELECOMMUNICATIONS MARKET

### Re-assignment of Frequency Spectrum in the 1.9–2.2 GHz Band

The existing assignments of the frequency spectrum in the 1.9–2.2 GHz band (3G Spectrum) will expire in October 2016. The Authority announced in November 2013 the decision to adopt a hybrid administratively-assigned cum market-based approach to re-assign 2 x 60 MHz of 3G Spectrum. Under the hybrid approach, each of the incumbent 3G mobile network operators will be offered a right of first refusal to be re-assigned two-thirds of the 3G Spectrum. The remaining 3G Spectrum will be re-assigned by way of auction. It is considered that the hybrid approach would best serve the multiple objectives in spectrum re-assignment, viz. ensuring customer service continuity, efficient spectrum utilisation, promote effective competition, and encourage investment and promote innovative services.

### Regulatory Guidance on the Charging Principles of Interconnection between Fixed Carriers

After a public consultation, the Authority announced in April 2013 that the regulatory guidance on charging principles for narrowband interconnection between fixed carriers, first promulgated in 1995, should be phased out after an 18-month transitional period. With effect from 16 October 2014, charging principles for all types of carrier-to-carrier local interconnection charges will no longer be subject to any regulatory guidance, and are solely determined through commercial negotiations between the carriers.

### Merger and Acquisition

Section 7P of the TO oversees merger and acquisition activities involving carrier licensees from the competition law perspective. In December 2013, HKT Limited, the parent company of Hong Kong Telecommunications (HKT) Limited (HKT), a fixed and mobile carrier licensee, submitted an application to the Authority seeking its prior consent to its proposed acquisition of CSL New World Mobility Limited (CSLNWM), the parent company of CSL Limited (CSL), a mobile carrier licensee, pursuant to section 7P of the TO.

After careful considerations of all available evidence before the Authority, including but not limited to representations received from the public consultation on the proposed transaction, and the economic analysis conducted by the external economic consultant commissioned by the Authority, the Authority formed the opinion that the proposed transaction would have, or be likely to have the effect of substantially lessening competition (SLC) in two relevant telecommunications markets, but considered that remedies were available to eliminate or avoid such effect of SLC. Accordingly, the Authority decided to give consent to the proposed transaction, with conditions imposed that HKT and CSL, as carrier licensees concerned, should take certain necessary actions, including divestment of certain 3G Spectrum, to eliminate or avoid the effect of SLC identified. The Authority's decision was published on 2 May 2014.





## MAJOR TASKS AND CHALLENGES IN THE COMING YEAR

On the broadcasting side, licence renewal applications and applications for grant of licence continue to be major activities in 2014/2015. The Authority will continue to process the licence renewal applications of ATV, TVB and PCCW Media, and take follow-up actions relating to the applications for domestic free television programme service licences by Fantastic TV and HKTVE in a fair and prudent manner. Hong Kong Television Network Limited (HKTV) submitted an application for a domestic free television programme service licence in April 2014. The Authority will handle HKTV's application in accordance with the BO and established procedures. The Authority will also commence the licence renewal exercise in respect of the analogue sound broadcasting service of Hong Kong Commercial Broadcasting Company Limited (CRHK) and Metro, the licences of which will expire in the second half of 2016. It plans to conduct a public consultation exercise to gauge the public's views on the analogue sound broadcasting service concerned with a view to making recommendations to the CE in C in the second quarter of 2015.

On the telecommunications side, we are taking steps to implement the decision on re-assignment of the 3G Spectrum. We will offer the right of first refusal to the incumbent 3G operators in July 2014 for them to be re-assigned in total 2 x 35 MHz of the 3G Spectrum upon expiry of the existing assignments in October 2016, and conduct an auction towards the end of 2014 to re-assign the remaining 3G Spectrum.

There are a number of licence conditions in carrier licences imposing requirements which duplicate with those introduced under cross-sectoral legislation and/or regulation over the past years. The Authority will conduct a joint public consultation with the Secretary for Commerce and Economic Development (SCED) to review these licence conditions and seek views on the way forward.

The two-year trial period of the Customer Complaint Settlement Scheme (CCSS) will end in October 2014. The effectiveness of the CCSS will be reviewed so as to determine the way forward of the scheme.

The Authority is conferred concurrent jurisdiction with the Competition Commission (CC) to enforce the cross sector competition law, the Competition Ordinance (Cap. 619) (CO), in respect of the conduct of telecommunications and broadcasting licensees. The Authority will continue its close liaison with the CC on the preparatory work required before the full commencement of the CO, including preparation of the guidelines on the enforcement of the CO for public consultation, and preparation of the memorandum of understanding to be signed between the Authority and the CC to coordinate the performance of their functions under the concurrent jurisdiction arrangement.



Mr Ambrose HO  
Chairman, Communications Authority



Miss Susie HO Shuk-yee, JP  
Vice-Chairman, Communications Authority  
Permanent Secretary for Commerce and  
Economic Development  
(Communications and Technology)



Mr AU Man-ho, SBS  
Member



Mr Felix FONG Wo, BBS, JP  
Member  
(from 5 July 2013 onwards)



Ms Alice KWOK Yim-ming  
Member  
(until 24 April 2013)



Mrs Lucia LI LI Ka-lai, SBS  
Member



Mr Alan LUI Siu-lun  
Member



Mr Hubert NG Ching-wah  
Member



Dr Anthony William SEETO Yiu-wai  
Member



Dr Carlye TSUI Wai-ling, BBS, MBE, JP  
Member



Mr Adrian WONG Koon-man, BBS, JP  
Member



Mr Raymond Roy WONG, SBS  
Member



Miss Eliza LEE Man-ching, JP  
Member  
Director-General of Communications





## THE COMMUNICATIONS AUTHORITY

To meet the regulatory challenges brought about by rapid technological advancements and media convergence, the Communications Authority was established on 1 April 2012 as an independent statutory body under the Communications Authority Ordinance (Cap. 616) (CAO), taking over fully the functions and powers of the former Telecommunications Authority (TA) and the Broadcasting Authority (BA). Its role is to regulate the broadcasting and telecommunications industries in Hong Kong in accordance with the Broadcasting Ordinance (Cap. 562) (BO), the Telecommunications Ordinance (Cap. 106) (TO), the CAO, and the Broadcasting (Miscellaneous Provisions) Ordinance (Cap. 391) (B(MP)O). It also enforces the Unsolicited Electronic Messages Ordinance (Cap. 593) (UEMO).

### The Authority has the following functions:

- to tender advice to the SCED on any legislation, legislative proposals and regulatory policies relating to telecommunications, broadcasting, anti-spamming or activities connected with the telecommunications or broadcasting sectors;
- to make recommendations to the CE in C on applications for and renewal of domestic free television programme service licences, domestic pay television programme service licences and sound broadcasting licences;
- to grant and renew non-domestic television programme service licences and other licensable television programme service licences;
- to prepare and revise codes of practice setting programme, advertising and technical standards for television and radio;
- to deal with complaints about broadcasting and telecommunications services and impose sanctions on the broadcasters and telecommunications operators for contravening the various provisions and requirements;
- to handle the licensing, financial monitoring and regulation of telecommunications and broadcasting licensees in Hong Kong;
- to manage and administer the radio frequency spectrum and the telecommunications numbers;
- to develop technical standards and conduct equipment testing in line with international best practices, and ensure satisfactory performance of the certification bodies in carrying out certification and test against the prescribed technical standards;
- to facilitate fixed operators to access buildings to install in-building telecommunications facilities for the conveyance of telecommunications and broadcasting services;



- to conduct examination and issue certificates for the operating personnel of radiocommunications systems;
- to enforce the prohibition of misleading or deceptive provisions in the TO;
- to enforce the competition provisions under the BO and TO;
- to enforce the fair-trading sections of the TDO in relation to the commercial practices of licensees for the provision of telecommunications services and broadcasting services under the TO and BO; and
- to enforce the UEMO.

## ORGANISATION

Members of the Authority are appointed by the Chief Executive of the Hong Kong Special Administrative Region. During the period from April 2013 to March 2014, there were a total of 12 members comprising 10 non-official members, including the Chairman, and two public officers, viz. the Permanent Secretary for Commerce and Economic Development (Communications and Technology) and the Director-General of Communications (DG Com).

The Authority has appointed three committees to assist it in discharging part of its major duties:

- the *Broadcast Complaints Committee*;
- the *Broadcast Codes of Practice Committee*; and
- the *Telecommunications Affairs Committee*.

The **Broadcast Complaints Committee (BCC)** is responsible for considering complaints about broadcasting issues and making recommendations to the Authority regarding such complaints. It comprises four Authority members and four co-opted non-official members.



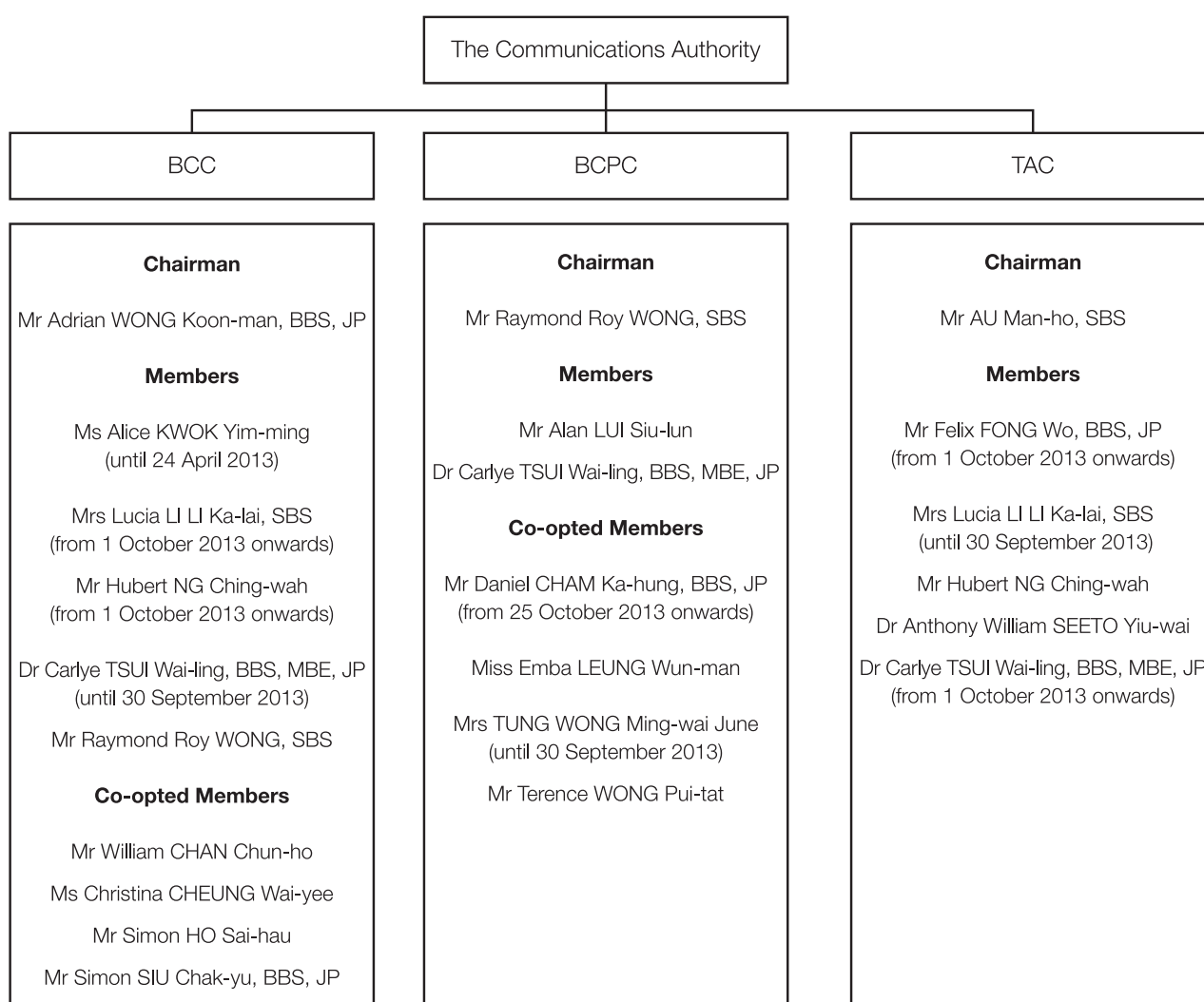


The **Broadcast Codes of Practice Committee (BCPC)** is responsible for keeping the television and radio broadcasting standards under regular review and amending the codes of practice when necessary. It comprises three Authority members and three co-opted members.

The **Telecommunications Affairs Committee (TAC)** is responsible for offering advice and reporting to the Authority on telecommunications matters. It comprises five Authority members.

OFCA serves as the executive arm and secretariat of the Authority.

## ORGANISATION CHART





## BROADCASTING

### 5.1 An Overview of Developments in the Broadcasting Market

#### 5.1.1 Number of Licensees and Channels

##### *Television Programme Services*

As at March 2014, the total number of domestic free, domestic pay and non-domestic television programme service licensees was 24. They provided 685 television channels<sup>1</sup>, of which 461 were receivable in Hong Kong, representing an increase of 5.9% and 7.5% respectively since March 2013. An overview of the channels provided by the television programme service licensees is shown in [Figure 1](#).

As at March 2014, there were two **domestic free television programme service licensees**, viz. ATV and TVB. They provided a total of 15 channels. Four channels (ATV Home, ATV World, TVB Jade and TVB Pearl<sup>2</sup>) were simulcast in both analogue and digital formats and seven were digital channels. ATV's digital channels comprised one HDTV channel "Asia" and three standard definition television (SDTV) channels, namely "ATV Classic", "CCTV 1" and "Shenzhen Satellite". TVB's digital channels comprised three HDTV channels, namely "HD Jade", "iNews" and "J2".



<sup>1</sup> Some channels were provided by more than one licensee at the same time.

<sup>2</sup> The digital simulcast of TVB Jade and Pearl channels are broadcast in HDTV format.



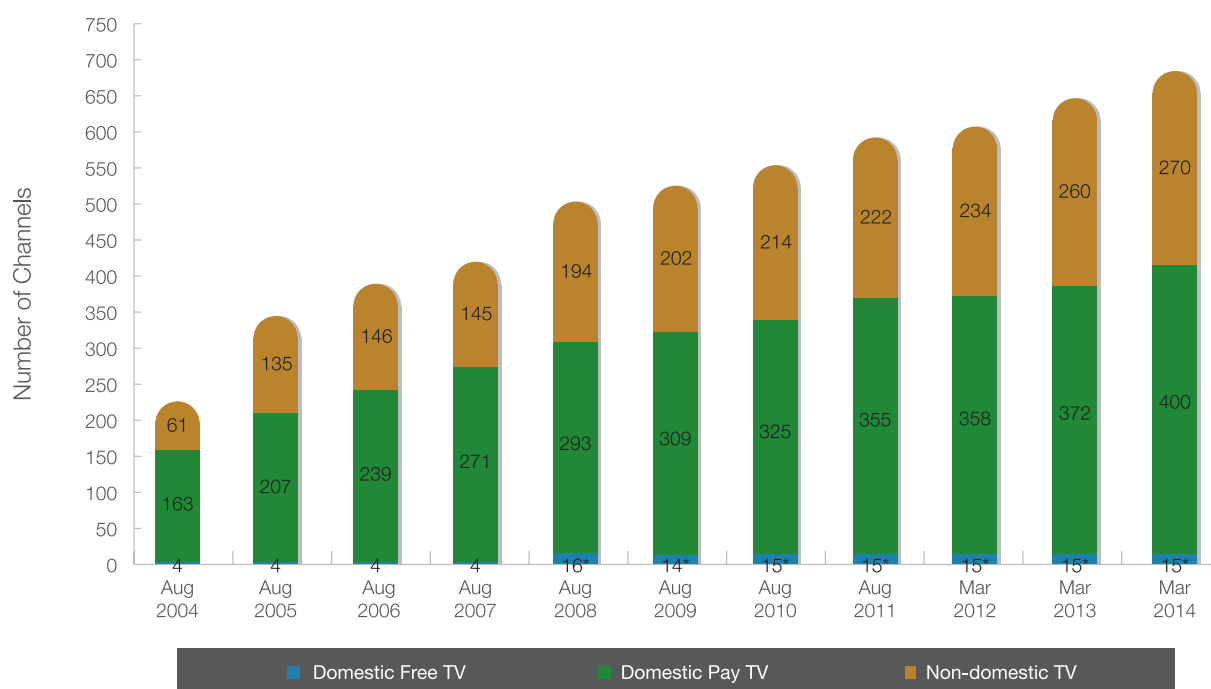


As at March 2014, there were three **domestic pay television programme service licensees**, viz. Hong Kong Cable Television Limited (HKCTV), PCCW Media and TVB Network Vision Limited (TVBNV) (formerly TVB Pay Vision Limited). The three domestic pay television programme service licensees provided a total of 400 pay television channels, representing an increase of 7.5% since March 2013. At the same time, there has been a significant increase (86%) in the total number of HDTV channels (from 35 to 65) offered by the licensees within the same period.

From April 2013 to March 2014, the number of **non-domestic television programme service licensees** increased by one to 19, providing a total of 270 television channels, representing an increase of 3.8% since March 2013. Of them, 46 channels were available to Hong Kong viewers.

During the period under review, the number of **other licensable television programme service licensees** providing television programme services in hotels in Hong Kong increased by one to 27. Altogether they provided services to 85 hotels.

**FIGURE 1: TELEVISION CHANNELS PROVIDED BY TELEVISION PROGRAMME SERVICE LICENSEES IN HONG KONG**



Sources: Licensees

\* The four simulcast channels of ATV and TVB are counted for both the analogue and digital platforms.



In addition to the television channels provided by television programme service licensees, Hong Kong viewers are free to receive unencrypted satellite television programme channels uplinked from outside Hong Kong. As at March 2014, there were more than 500 such free-to-air satellite television channels available for reception in Hong Kong via the Satellite Master Antenna Television (SMATV) systems. The list of channels currently available can be downloaded at [http://www.ofca.gov.hk/filemanager/ofca/en/content\\_295/st\\_smatv.pdf](http://www.ofca.gov.hk/filemanager/ofca/en/content_295/st_smatv.pdf).

### *Sound Broadcasting Services*

The number of **sound broadcasting licensees** remained at four during the period under review, namely CRHK, DBC, Metro<sup>3</sup> and Phoenix U Radio. RTHK is the public service broadcaster in Hong Kong.

As at March 2014, the number of analogue radio channels remained at 13 (three by CRHK, three by Metro and seven by RTHK). On DAB services, DBC, Metro and Phoenix U Radio formally launched their DAB services in 2012 in accordance with the licence requirements. As at March 2014, the three DAB licensees and RTHK provided a total of 16 DAB channels (seven by DBC, two by Metro, two by Phoenix U Radio and five by RTHK). All analogue and DAB channels provided by the four licensees and RTHK were broadcast round-the-clock.

## 5.1.2 Transmission Modes

### *Television*

The regulatory regime for television programme services in Hong Kong as enshrined in the BO is technology-neutral<sup>4</sup>. Licensees are free to choose their transmission arrangements for delivery of television services. Broadcasters can build their own transmission networks to deliver their services and, in such cases, they need to apply for a carrier licence from the Authority to cover the transmission network. Alternatively, they can engage any of the existing carrier licensees to provide the transmission service. Licensees can also provide their television programme services via multiple transmission platforms so as to maximise the coverage.

The transmission modes employed by the television programme service licensees are set out in [Figure 2](#).

<sup>3</sup> Metro held two sound broadcasting licences, one for providing AM and FM services and one for providing DAB service.

<sup>4</sup> An exception is that a service consists only of a service provided on the Internet is exempted from the regulatory regime under the BO.



**FIGURE 2: TRANSMISSION MODES EMPLOYED BY THE TELEVISION LICENSEES**

Licensee	Transmission Mode	Network Coverage as at March 2014
<b>Domestic Free Television</b>		
ATV and TVB	Terrestrial UHF <sup>5</sup> , including (a) Analogue PAL-I format; and (b) Digital National Standard format	(a) 99% of population (b) 99% of population (as at Sept 2013)
<b>Domestic Pay Television</b>		
HKCTV	HFC <sup>6</sup> , MMDS <sup>7</sup> and satellite (Digital)	97% of total households (about 2.3 million households)
PCCW Media	PON and DSL <sup>8</sup> Broadband network (Digital)	Near 100% of total households
TVBNV	Satellite and broadband network (Digital)	Near 100% of total households
<b>Non-domestic Television</b>		
All the 19 licensees	Satellite (Digital)	35% of total households (836 433 households)

5 Terrestrial Ultra High Frequency.

6 Hybrid Fibre Coaxial Cable.

7 Microwave Multipoint Distribution System.

8 Passive Optical Network and Digital Subscriber Line.

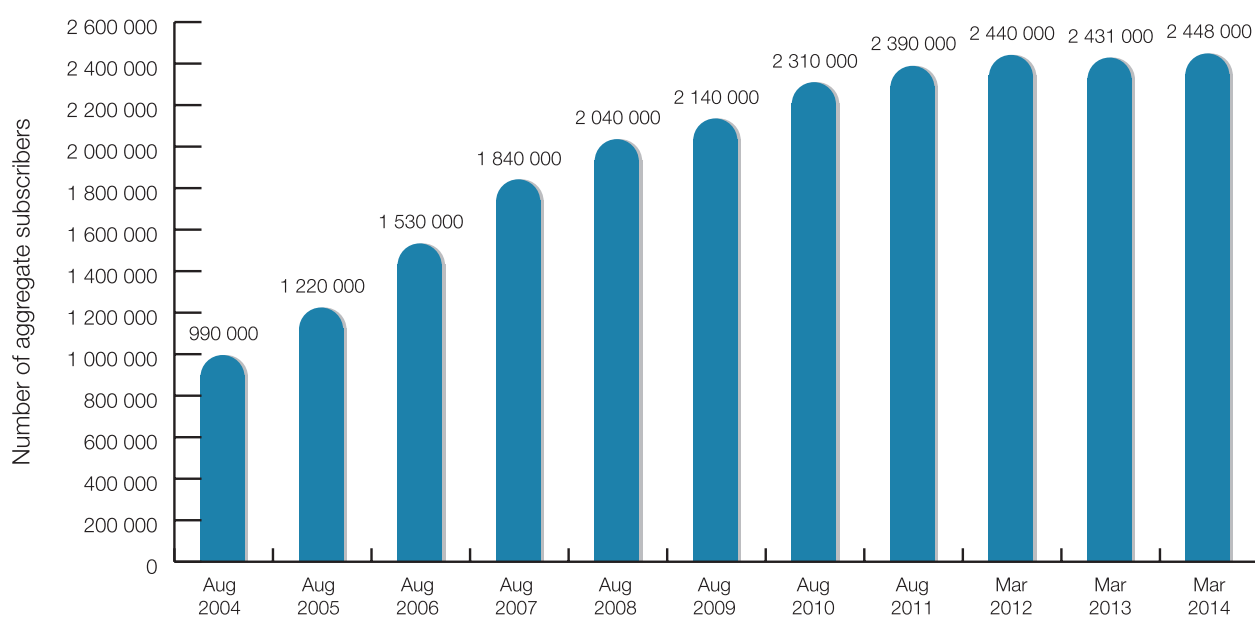


### *Penetration of Different Broadcasting Services*

In March 2014, out of a total of 2.42 million households in Hong Kong<sup>9</sup>, 2.39 million television households<sup>10</sup> or 6.49 million viewers (aged 4 or above)<sup>11</sup> were receiving analogue broadcasting of free-to-air television, representing a penetration rate of about 99%. As regards DTT services, the take-up rate was about 80% of all households in March 2014<sup>12</sup>.

The penetration of licensed domestic pay television services was nearly 100%<sup>13</sup> of the total households as at end of March 2014. The total number of subscribers to licensed pay television services increased slightly from 2 431 000 in March 2013 to 2 448 000 in March 2014 (an increase of 0.7%)<sup>14</sup>. The changes in total number of subscribers from 2004 to 2014 are shown in [Figure 3](#).

**FIGURE 3: SUBSCRIBERS TO LICENSED PAY TELEVISION SERVICES IN HONG KONG**



Sources: Licensees

9 Source: Census and Statistics Department.

10 "Television households" means households with at least one TV set currently in working order; or with one not in working order but will repair or renew in near future. Data Source: Television Broadcasts Limited.

11 Data Source: Television Broadcasts Limited.

12 According to a public survey conducted in March 2014, about 80% of households in Hong Kong were receiving DTT services.

13 Penetration of licensed domestic pay television services is calculated by dividing the total number of subscribers of licensed domestic pay television services by the total number of households. Some subscribers were counted more than once if they subscribed to more than one pay television service.

14 Some subscribers were counted more than once if they subscribed to more than one service.



### *Sound Broadcasting*

During the period under review, the analogue radio broadcasters provided their services in FM and AM modes. Seven FM programme services were provided through seven hilltop sites and supplemented by two low-power FM gap-fillers. In addition, six AM programme services were broadcast from two hilltop sites, supplemented by six low-power AM/FM gap-fillers to improve the AM programme services. The services practically covered the whole territory of Hong Kong.

The DAB broadcasters adopted DAB+ standard for transmission of DAB services. The DAB transmission network comprising seven principal transmitting<sup>15</sup> stations was officially launched in June 2012. As at March 2014, the coverage of the DAB service stood at around 80%.

### 5.1.3 Broadcasting Revenues and Investment

Licensed broadcasting services contributed an estimated \$8 billion<sup>16</sup> to the Hong Kong economy, which represented about 0.4% of the gross domestic product (GDP) in 2013. There are two main sources of revenues for the provision of broadcasting services, viz. advertising and subscription. The income of domestic free television programme service licensees and sound broadcasting licensees mainly come from sales of advertising spots within programme breaks. Domestic pay television programme service licensees, on the other hand, derive their incomes mainly from subscription fees while sales of advertising spots remains a secondary income source.

### *Advertising Revenue*

According to the report of AdmanGo Limited, the advertising expenditures on television and radio accounted for 31% (about \$13.33 billion) and 4% (about \$1.72 billion) respectively of the accumulated \$43 billion advertising expenditures in the media in 2013<sup>17</sup>.

In 2013, the actual advertising revenue of TVB was around \$3.3 billion<sup>18</sup>. The actual advertising revenues of the other licensees were not publicly available.

15 Beacon Hill, Castle Peak, Cloudy Hill, Golden Hill, Kowloon Peak, Lamma Island and Mount Gough.

16 Source : Company reports of major broadcasting licensees.

17 Source: Adspend Report for 2013 of Admango Limited. All the advertising expenditures presented in the report have taken into consideration the discount factor based on an assumption of 60% off rate card rate.

18 According to TVB's annual report 2013, the turnover from the Hong Kong television broadcasting business segment was \$3,322 million, which comprised advertising revenue from the Group's free and pay television channels.





### *Subscription Revenue*

According to the annual report of i-Cable Communications Limited (i-Cable), the parent company of HKCTV, HKCTV's turnover (including mainly subscription revenue and also some advertising revenue) was \$1.55 billion in 2013, representing a decrease of 12% over the figure in 2012. The decrease is mainly due to lower subscription and advertising revenue.

According to the annual report of PCCW Limited (PCCW), the holding company of PCCW Media, the turnover of its television and content segment was \$3.02 billion in 2013, representing an increase of 8% over the figure in 2012. The increase is mainly attributable to growth of subscribers and advertising revenue.

The subscription revenue of TVBNV is not publicly available.



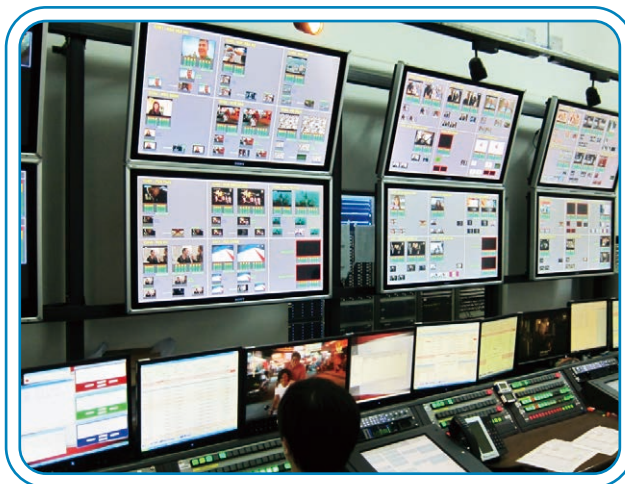
### *Investment in Broadcasting Industry*

Key investment projects in the television industry in recent years include digitisation of the terrestrial broadcasting network, HDTV content and production technology, interactive television services, and regular network maintenance and upgrades that are required to maintain or expand the ever-advancing scope of services. In addition, with the increasingly competitive television industry, the exclusive rights to broadcast premium contents such as sports events become a major attraction to viewers.



The two domestic free television programme service licensees, ATV and TVB, have committed to investing a total of \$2.4 billion and \$6.3 billion respectively for the six-year period from 2010 to 2015. Specifically, TVB will upgrade its digital production and broadcasting equipment to cater for HDTV productions. ATV will focus on installation of HDTV production equipment. In addition, during the mid-term review in 2010, ATV has committed to providing a minimum of 60 hours of HDTV programming per week for the period from 2010 to 2015, while TVB has committed to increasing, on an incremental basis, the amount of HDTV programming to 120 hours per week by 2015. As at March 2014, ATV and TVB provided a total of 66 hours and 738 hours respectively of HDTV programmes per week.

As regards the domestic pay television programme service market, i-Cable, the parent company of HKCTV, reported in its 2013 Final Results Announcement that the capital expenditure of the group for the year had decreased from \$209 million in 2012 to \$149 million in 2013. Its major items of investment included HDTV set-top-boxes, cable modems and television production and broadcast facilities for HDTV channels. i-Cable also invested in in-house production of news, entertainment and variety programmes. According to the 2013 Annual Results of PCCW, the parent company of PCCW Media, the capital expenditure for the year on its television and content business was \$201 million, representing an increase of 78% over the figure in previous year. Its major items of investment included acquisition of premium programming and content production.



TVBNV has committed to investing a total of \$2.003 billion for the six-year period from 2013 to 2019. The investment commitment of TVBNV covers HDTV programming, set-top-boxes and broadcast facilities upgrading. In 2013, TVBNV upgraded its infrastructure in Hong Kong from satellite to optical-fibre distribution, which would further enhance picture quality and service stability.



CRHK and Metro have committed to investing a total of \$827 million and \$677 million respectively for the period from 2010 to 2016 for the provision of analogue sound broadcasting services. The investment commitment of CRHK and Metro covers staff developments, facilities upgrading, programming improvement and other development brought by technological advancement to further enhance their service quality. The three DAB licensees, namely DBC, Metro and Phoenix U Radio, have committed to investing a total of \$391 million, \$96.1 million and \$107.3 million respectively for the period from 2011 to 2017. Their investment commitment mainly covers construction of DAB network and studio facilities and production of DAB programmes.

### 5.1.4 Programme Variety and Positive Programme Requirements

#### (a) Programme Variety and Diversity

##### *Number of Broadcast Hours and Hours of Station Productions*

As at March 2014, the licensees broadcast about 70 410 hours of television programmes a week<sup>19</sup>. Among them, ATV and TVB provided a total of 671 broadcast hours per week on the four analogue channels and 1 845 broadcast hours per week on the 11 digital channels, while the 400 channels of domestic pay television programme service licensees provided a total of 60 166 broadcast hours per week. As at 31 March 2014, the 46 channels of non-domestic television programme service licensees receivable in Hong Kong provided a total of 7 728 hours per week.

With the launch of 16 DAB channels, the weekly number of broadcast hours for sound broadcasting services (including RTHK) as at March 2014 was 4 872. The 13 analogue channels of sound broadcasting operators provided a total of 2 184 broadcast hours per week while the 16 digital channels provided a total of 2 688 broadcast hours per week.



19 The weekly number is based on a sample week in March 2014.

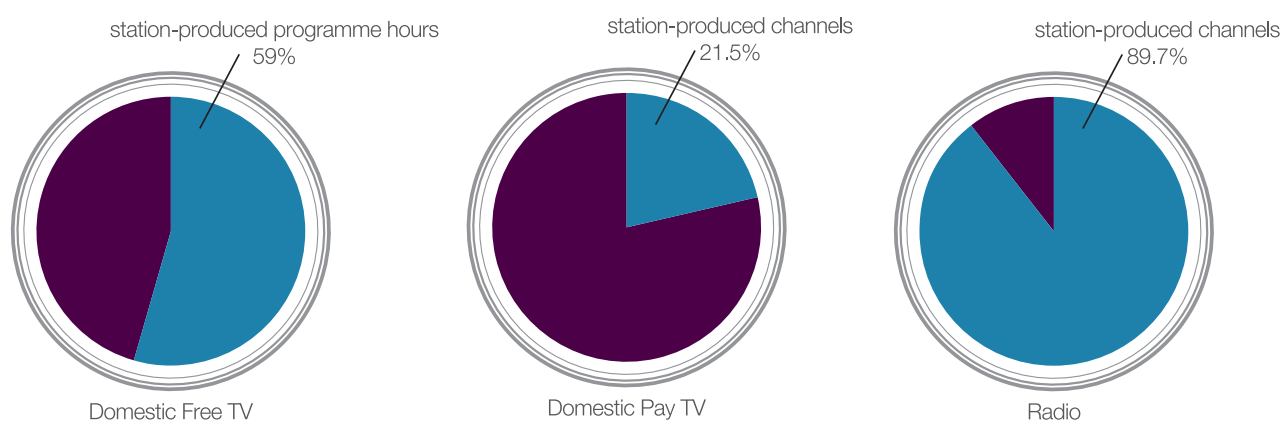




For the period under review, there were a total of 68 247 hours of station productions broadcast on ATV and TVB, of which 18 771 hours were on analogue channels and 49 476 on digital channels<sup>20</sup>. Of the 400 channels provided by the domestic pay television programme service licensees, 86 channels (21.5%) were produced by the licensees themselves.

As for sound broadcasting services, with the exception of RTHK's relay of BBC World Service on Radio 6 and its digital radio services, and programmes of "China National Radio" on its digital radio services, the other 12 analogue radio channels and 14 digital radio channels (89.7% of all relevant channels) were mainly produced by the broadcasters themselves.

**FIGURE 4: PROPORTION OF STATION PRODUCTION IN MARCH 2014**



Sources: Licensees

#### *Domestic Free Television Programme Services*

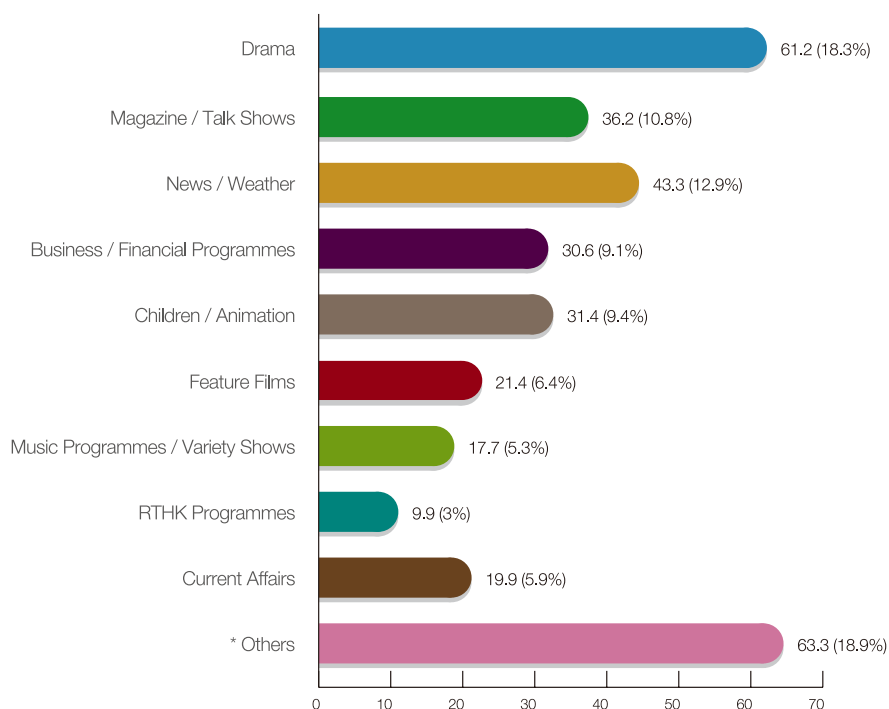
##### *Analogue Channels and Digital Simulcast Channels*

During the period under review, drama series and magazine/talk shows were the dominating programme genre during prime time on the Cantonese channels. Generally speaking, drama series on ATV were mainly imported from the Mainland and Korea, while those on TVB were mostly in-house productions. Both licensees broadcast Korean and Japanese drama series. Apart from drama series and magazine/talk shows, news/weather programmes, business/financial programmes, feature films and music programmes, etc. were also broadcast during prime time on the Cantonese channels.

<sup>20</sup> This excludes ATV's CCTV 1 and Shenzhen Satellite SDTV channels which were direct re-transmission channels.



**FIGURE 5: WEEKLY HOURS OF DIFFERENT PROGRAMME TYPES BROADCAST ON ATV HOME AND TVB JADE AS AT MARCH 2014**



Weekly Total: **334.9** Hours

Sources:   **TVB**

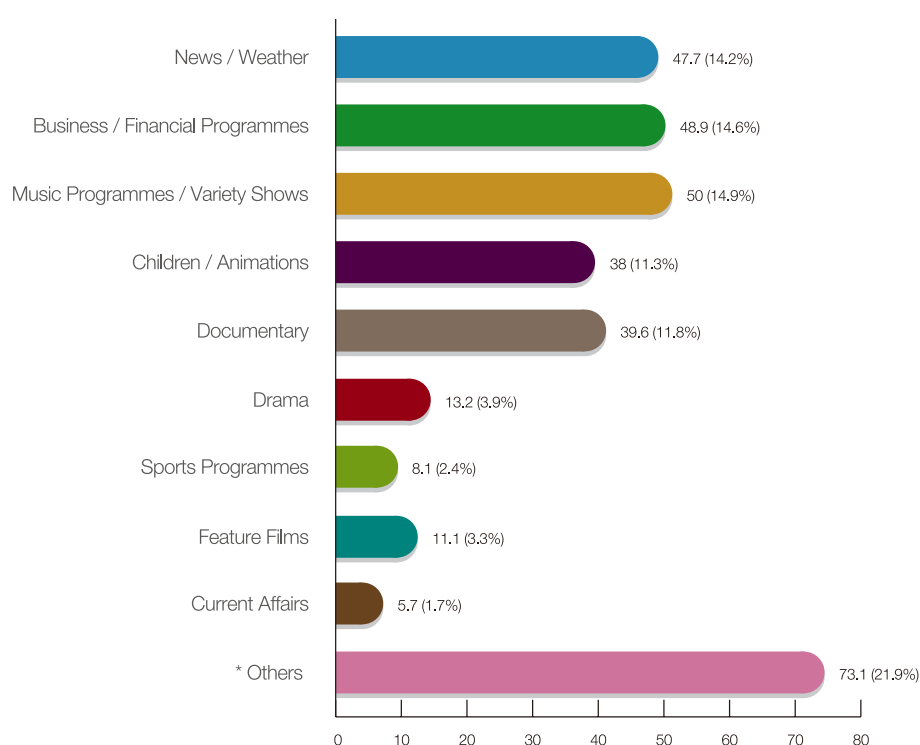
\* Other programmes include horse-racing, documentary and cooking programmes





The two English channels broadcast a wide range of programmes, including business/financial programmes, news/weather programmes, music programmes/variety shows, children's animations, imported popular drama series, documentaries, sports programmes, feature films and current affairs programmes.

**FIGURE 6: WEEKLY HOURS OF DIFFERENT PROGRAMME TYPES BROADCAST ON ATV WORLD AND TVB PEARL AS AT MARCH 2014**



Weekly Total: **335.4** Hours

Sources:   **TVB**

\* Other programmes include art & culture programmes, travelogues and talk shows, etc.

### Digital Channels

Since the launch of DTT services, ATV and TVB have been introducing new service channels to Hong Kong viewers. As at March 2014, ATV provided HDTV Asia channel, ATV Classic, CCTV 1 and Shenzhen Satellite, all of which were general entertainment channels providing different programme genres such as news, documentaries, current affairs, dramas and infotainment programmes, etc. On the other hand, TVB provided dramas, variety shows, news, talk shows and game shows, etc. via HD Jade, i-News and J2 (a general entertainment channel targeting young audience).

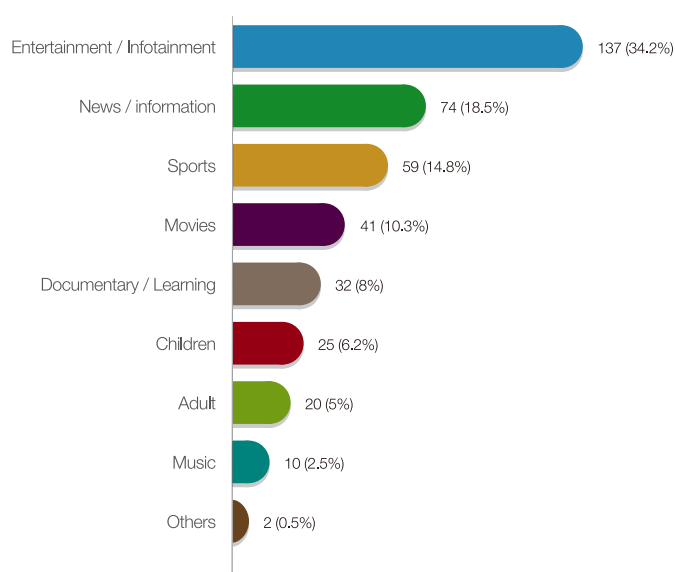


### Domestic Pay Television Programme Services

During the period under review, a wide variety of channels were offered on domestic pay television programme services, including entertainment and infotainment channels (34.2%), news and information channels (18.5%), sports channels (14.8%), movie channels (10.3%), and documentaries/learning channels (8%).



**FIGURE 7: NATURE OF DOMESTIC PAY TELEVISION CHANNELS AS AT MARCH 2014**



Total channels: **400**

Sources: Licensees





As at March 2014, HKCTV offered a basic package consisting of 73 basic channels and 37 other premium channels (including 12 HDTV channels) in more than 10 languages. PCCW Media's "now TV" service offered 176 channels (including 33 HDTV channels) and 40 video-on-demand services, while TVBNV's service comprised 74 channels (including 20 HDTV channels), of which 21 were also carried on PCCW Media's platform.

### *Sound Broadcasting*

#### Analogue Channels

As at March 2014, CRHK operated two FM Cantonese language services, viz. CR1 and CR2, and one AM English language service, AM 864. CR1 provided mainly news, current affairs, financial and personal view programmes. CR2 was mainly an entertainment channel featuring pop culture and music targeting young listeners. AM864 was primarily a music channel.

Metro operated two FM Cantonese language services, viz. Metro Finance and Metro Info, and one AM English language service, viz. Metro Plus. Metro Finance provided real-time, market-moving news and information about financial markets around the world. Metro Info provided music and entertainment programmes as well as programmes on lifestyle, health, market news and other information of interest to the public. Metro Plus was a music channel which also provided programmes for ethnic groups including the Filipino, Indian, Indonesian, Pakistani and Thai communities in Hong Kong.

RTHK operated seven radio channels, providing Cantonese, English and Putonghua services. It offered a variety of thematic channels ranging from information to general entertainment and culture. A list of channels of RTHK is in [Figure 8](#).

**FIGURE 8: RTHK'S RADIO SERVICES**

Radio 1	Chinese news, information and general programming
Radio 2	Chinese youth, entertainment and popular music programmes
Radio 3	English news, information and general programming
Radio 4	Bilingual programmes on classical music and fine arts
Radio 5	Chinese elderly, cultural and education programmes
Radio 6	BBC World Service relay
Radio 7	Putonghua general programming, news and finance



### *Digital Channels*

DBC formally launched DAB service in September 2012. As at end March 2014, it operated seven channels comprising “Radio Prime”, “Radio News”, “Radio Business”, “Radio Campus”, “Radio Smiles”, “Radio Music” and “Radio Opera”. The seven channels offered programmes of different varieties, including current affairs and commentary, news, talk shows, financial information, entertainment, education, art and culture, music and programmes for ethnic minorities in different languages including Filipino, Hindi, Indonesian, Nepali, Thai and Urdu.

Metro commenced DAB service in September 2012. As at end March 2014, Metro operated two DAB channels, namely “Metro Finance Digital” and “Metro Music Digital”. The channels primarily offered finance programmes, talk shows and music shows mainly in Cantonese.

Phoenix U Radio formally commenced DAB service in January 2012. As at end March 2014, it operated two channels called “U Radio 22” and “U Radio 26”, offering a variety of programmes, including news, current affairs programmes, financial programmes, music programmes, health programmes and cultural programmes, mainly in Putonghua.

RTHK formally launched DAB service in September 2012. As at end March 2014, it operated five channels, four of which principally simulcast existing AM channels and the remaining one was a dedicated channel produced by “China National Radio” for RTHK.

### *(b) Positive Programme Requirements*

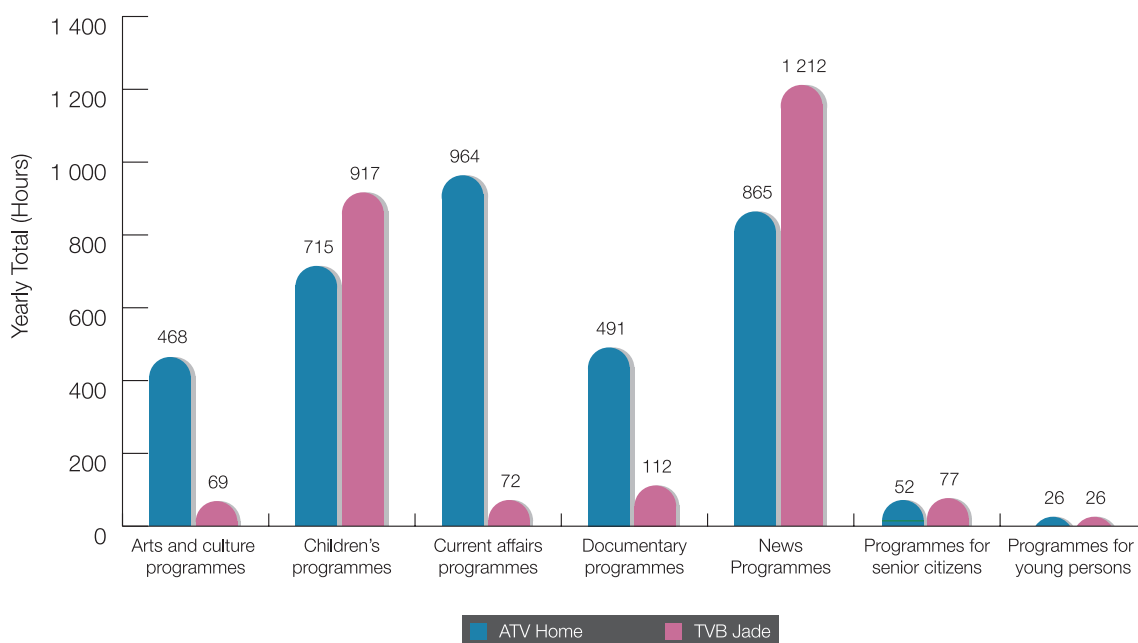
During the period under review, domestic free television programme service licensees were required to broadcast at least 41.5 hours of positive programmes<sup>21</sup> per week. Both ATV and TVB met the requirements. In aggregate, ATV and TVB each broadcast a weekly average of 123 hours of positive programmes.

The reports of the licensees submitted to the Authority on the four types of positive programmes, i.e. children’s programmes, programmes for young persons, programmes for senior citizens and arts and culture programmes, are available at [http://www.ofca.gov.hk/en/pub\\_report/compliance\\_reports/index.html](http://www.ofca.gov.hk/en/pub_report/compliance_reports/index.html).

21 The “positive programmes” that ATV and TVB were required to broadcast were news, current affairs programmes, documentary, art and culture programmes, children’s programmes and programmes for senior citizens and young persons.



**FIGURE 9: BROADCAST OF POSITIVE PROGRAMMES ON CANTONESE TELEVISION CHANNELS AS AT MARCH 2014**



ATV and TVB were required to provide Chinese subtitles for all news, current affairs, weather reports and emergency announcements as well as programmes during prime time (7:00 p.m. – 11:00 p.m.) on Cantonese channels, and English subtitles for all news, current affairs, weather programmes, emergency announcements and educational programmes for teenagers (two hours per week) on English channels. Overall, both ATV and TVB complied with the requirements on provision of subtitles.

Pursuant to licence requirements, both licensees were required to broadcast one minute of Announcements in Public Interest (APIs) in each hour. Also, they are required to broadcast on a weekly basis, not more than five minutes in aggregate of publicity material for the Authority for each analogue/simulcasting digital channel<sup>22</sup>. During the period under review, the licensees broadcast a total of 2 693 hours of the two types of materials.

Following the mid-term review in 2010, ATV and TVB were required to provide an additional 120 minutes per week of programmes for senior citizens and programmes on arts and culture, or an additional 90 minutes of government (RTHK) programmes per week. In addition, ATV and TVB were required to broadcast an additional 60 minutes of RTHK programmes during weekends. For the hearing impaired, ATV and TVB were also required

<sup>22</sup> Both licensees are also required to broadcast two minutes of such material on other digital channels.

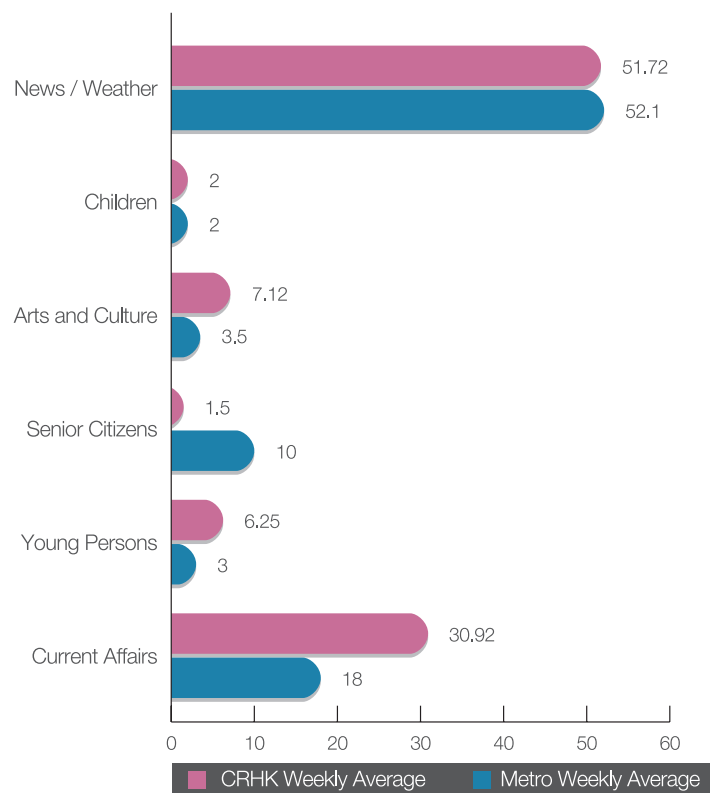


to provide Chinese subtitling for all drama programmes on Cantonese channels starting 31 December 2010 and English subtitling for all programmes broadcast on English channels between 8:00 p.m. and 11:30 p.m. starting 31 December 2012.

As regards sound broadcasting services, analogue sound broadcasting licensees were required to broadcast at least 28.5 hours of positive programmes<sup>23</sup> per week. Overall, both CRHK and Metro complied with the licence conditions on broadcast of positive programmes.

All sound broadcasting licensees (including DAB licensees) were required to broadcast one minute of APIs in each hour and not more than five minutes of publicity material for the Authority each week in each service channel. Overall, all licensees complied with the requirements.

**FIGURE 10: PROVISION OF POSITIVE PROGRAMMES ON SOUND BROADCASTING SERVICES AS AT MARCH 2014**



23 The “positive programmes” that CRHK and Metro were required to broadcast were news and weather programmes, current affairs programmes, art and culture programmes and advisory programmes, viz. programmes for young persons, senior citizens and children.





### 5.1.5 Hong Kong as a Regional Broadcasting Hub

Hong Kong is a broadcasting hub in the Asia-Pacific region with 19 non-domestic television programme service licensees operating in and broadcasting from Hong Kong. Altogether they offered a total of 270 satellite television channels serving over 300 million viewers in the Asia-Pacific region, Europe and Africa, of which 46 channels were receivable in Hong Kong. A summary of non-domestic television programme services as at March 2014 is at **Annex 1**.



## TELECOMMUNICATIONS

### 5.2 An Overview of the Telecommunications Market

Hong Kong has one of the most sophisticated and successful telecommunications markets in the world. This has been an important factor in Hong Kong's development as a leading business and financial centre. In 2012, the gross output of the telecommunications sector amounted to \$69 billion and employed around 18 000 persons.

All sectors of Hong Kong's telecommunications market have been liberalised with no foreign ownership restrictions. The government's objectives are to maintain a level playing field in the open and competitive telecommunications market and ensure that consumers get the best services available in terms of capacity, quality and price.

#### 5.2.1 The Telecommunications Regulatory Regime

##### *Carrier Licences*

The Authority issues carrier licences to facility-based operators, authorising them to establish and maintain telecommunications networks and facilities, which may cross unleased Government land and public streets, for the provision of public telecommunications services.



The unified carrier licensing regime has been implemented since 1 August 2008 as the single licensing vehicle for the provision of facility-based fixed, mobile and/or converged telecommunications services in Hong Kong.

A Unified Carrier Licence (UCL) for the provision of local fixed service authorises the licensee to establish and maintain fixed network, wireline-based or wireless-based or a combination of both where applicable, to provide local telecommunications services between fixed points within Hong Kong. A UCL for the provision of external fixed service authorises the licensee to provide external facilities as well as external services operated over external facilities. A UCL for the provision of mobile service enables the licensee to provide two-way communications between moving locations or between a moving location and a fixed location in Hong Kong. The issue of new UCL for the provision of mobile service is subject to the availability of radio spectrum for assignment.

Fixed Carrier Licences (FCLs) and Mobile Carrier Licences (MCLs) which were issued before the introduction of the UCL remain valid until their expiry dates. The holders of FCL and MCL may apply to the Authority for UCL to replace their licences.

As at March 2014, there were a total of 60 carrier licensees, providing local fixed services, cable-based external fixed services, non cable-based external fixed services and mobile services.

### *Public Radiocommunications Service Licences*

Services which may be authorised under the Public Radiocommunications Service (PRS) Licence include radio paging, community repeater (trunked radio) services, vehicle location information services, one way data message services and public mobile radio data services.

As the provision of radiocommunications services requires the assignment of suitable operating frequencies, PRS Licences are granted only when the required radio spectrum is available.

As at March 2014, there were a total of 9 PRS licensees.

### *Services-based Operator Licences*

Services-based Operators (SBO) are not authorised to establish or maintain any telecommunications means which cross public streets or unleased Government lands, and therefore have to make use of the networks and facilities of other licensed facility-based operators for the provision of public telecommunications services.



SBO licence covers three types of services, namely, Class 1 and Class 2 local voice telephony service, and Class 3 service which may include external telecommunications service, Internet access service, international value-added network service, mobile virtual network operator service, private payphone service, public radio communications relay service, security and fire alarm signals transmission service, teleconferencing service and mobile communications service on board an aircraft.

As at March 2014, there were a total of 541 SBO licensees.

### *Class Licences*

The class licensing regime does not require any licence application. Parties meeting the specified eligibility criteria and conditions would automatically become the class licensees, and are required to comply with the conditions set out in the relevant Class Licence as well as the TO. Currently seven types of Class Licences are under the purview of the Authority:

- Class Licence for Citizens Band Radio Station
- Class Licence for In-building Telecommunications Systems
- Class Licence for Medical Implant Communication System Device
- Class Licence for Short Range Device
- Class Licence for Taxi Mobile Station
- Class Licence for Offer of Telecommunications Services
- Class Licence for Provision of Public Wireless Local Area Network Services

### *Other Licences*

Apart from the licences mentioned above, there are a number of miscellaneous licences under the purview of the Authority.

A breakdown of the type and number of all telecommunications licences are at **Annex 2**.

## 5.2.2 Developments in the Telecommunications Market and Technology Trends

### *Mobile Communications Services*

Competition in public mobile services is keen. As at March 2014, there were five mobile network operators, namely, China Mobile Hong Kong Company Limited (CMHK), CSL Limited (CSL), Hong Kong Telecommunications (HKT) Limited, Hutchison Telephone Company Limited (HTCL) and SmarTone Mobile Communications Limited (SmarTone), providing a wide range of public mobile services. The availability of mobile number portability since March 1999 has contributed to promoting effective competition among the mobile network operators as it allows customers to retain their telephone numbers when they switch to another mobile network operator.



The five mobile network operators provide 2G, 3G and 4G services in Hong Kong with affordable prices. As at March 2014, there were 17.1 million subscribers to mobile communications services. This represents a population penetration of 236.8%, one of the highest in the world. The number of 3G/4G users also continued to rise and reached 12.41 million in March 2014, representing a population penetration of 171.9%. Operating in 1800 MHz, 2.3 GHz and/or 2.5/2.6 GHz frequency bands, mobile data services using LTE technology are available at downlink speeds of up to 150 Mbps.

With the increasing popularity of smart phones, particularly 4G mobile handsets, which were readily available in the market, the monthly mobile data usage surged to 12 975 Terabytes in March 2014, representing 1.4 times and 2.6 times the monthly usage over the same period in 2013 and 2012 respectively. On average, each 2.5G/3G/4G mobile user used 1 036 Mbytes per month, compared with 840 Mbytes in March 2013 and 588 Mbytes in March 2012. The continued development of 4G mobile services is expected to further boost the mobile data usage in the future.

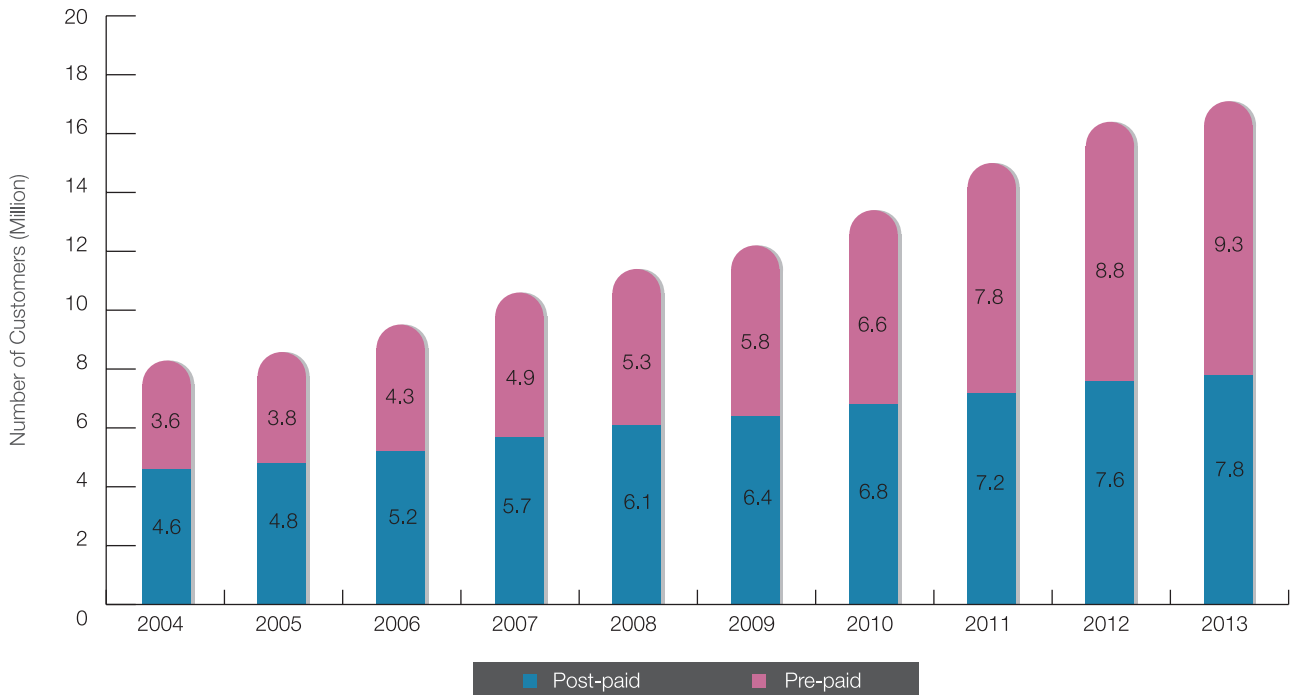
**FIGURE 11: NUMBER OF MOBILE SUBSCRIBERS (2004 TO 2013)**



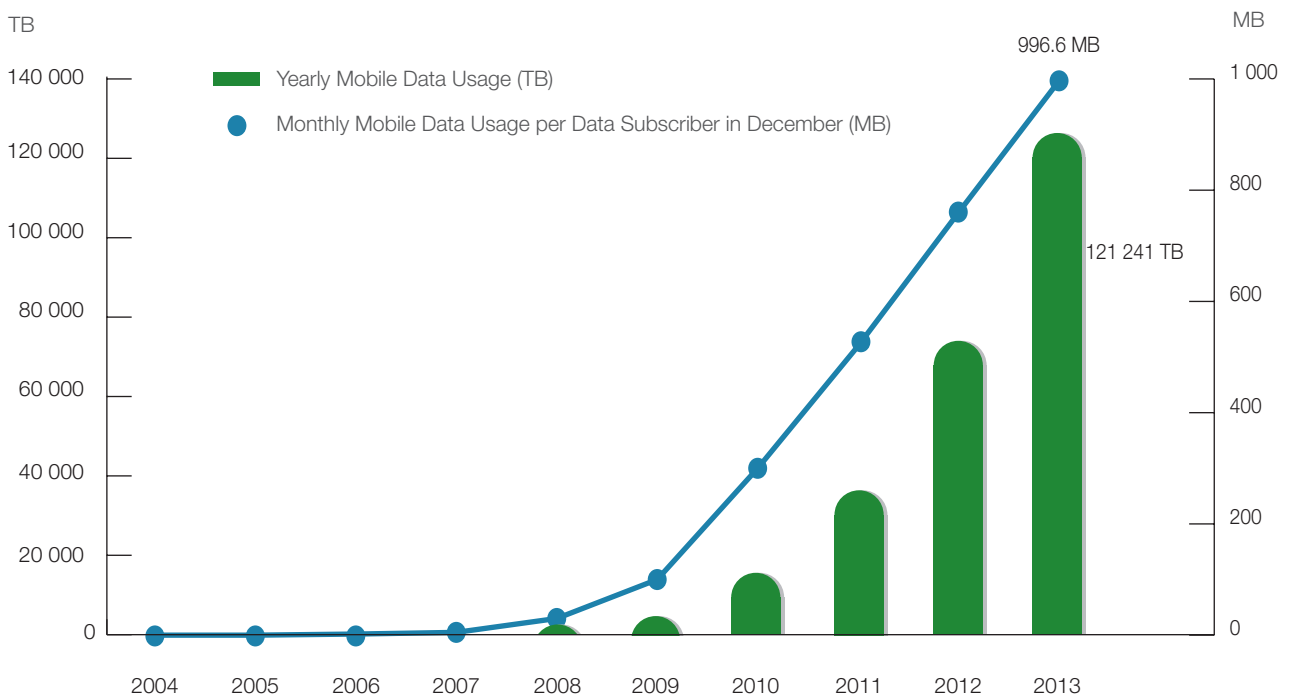




**FIGURE 12: MOBILE CUSTOMERS USING POSTPAID AND PREPAID SIM (2004 TO 2013)**



**FIGURE 13: MOBILE DATA USAGE (2004 TO 2013)**





### *Fixed Communications Services*

The local fixed communications services market was fully liberalised in 2003. There is no preset limit on the number of licences to be issued for fixed services, or any deadline for the submission of licence applications. Furthermore, there is no specific requirement on network rollout and investment, which are to be determined by the market.

As of March 2014, there were 21 local fixed carriers, providing around 102 fixed lines per 100 households, one of the highest in the world. They are:

- PCCW-HKT Telephone Limited and Hong Kong Telecommunications (HKT) Limited
- New World Telecommunications Limited
- Wharf T&T Limited
- Hutchison Global Communications Limited
- Hong Kong Broadband Network Limited
- Towngas Telecommunications Fixed Network Limited
- ComNet Telecom (HK) Limited
- TraxComm Limited
- HKC Network Limited
- Hong Kong Cable Television Limited
- Reach Networks Hong Kong Limited and Reach Cable Networks Limited
- Telstra International HK Limited and Telstra International Limited
- Verizon Hong Kong Limited
- SmarTone Communications Limited
- Vodafone Enterprise Global Network HK Limited
- CSL Limited
- China Mobile Hong Kong Company Limited
- 21 ViaNet Group Limited
- China Telecom Global Limited
- NTT Com Asia Limited
- Equinix Hong Kong Limited

As a result of full liberalisation in the local fixed carrier services market, the active network rollout by fixed carriers and the former Telecommunications Authority's initiative to encourage further network rollout by the withdrawal of mandatory Type II interconnection policy at the end of June 2008, 86.8% and 77.8% of households were able to enjoy a choice of at least two and three self-built customer access networks respectively as at March 2014. It is expected that the figure will keep growing as the operators continue to roll out their networks.

Local fixed carriers are required to facilitate fixed number portability which enables consumers to switch to another local fixed operator without having to change their telephone numbers.



### *Fixed Broadband Services*

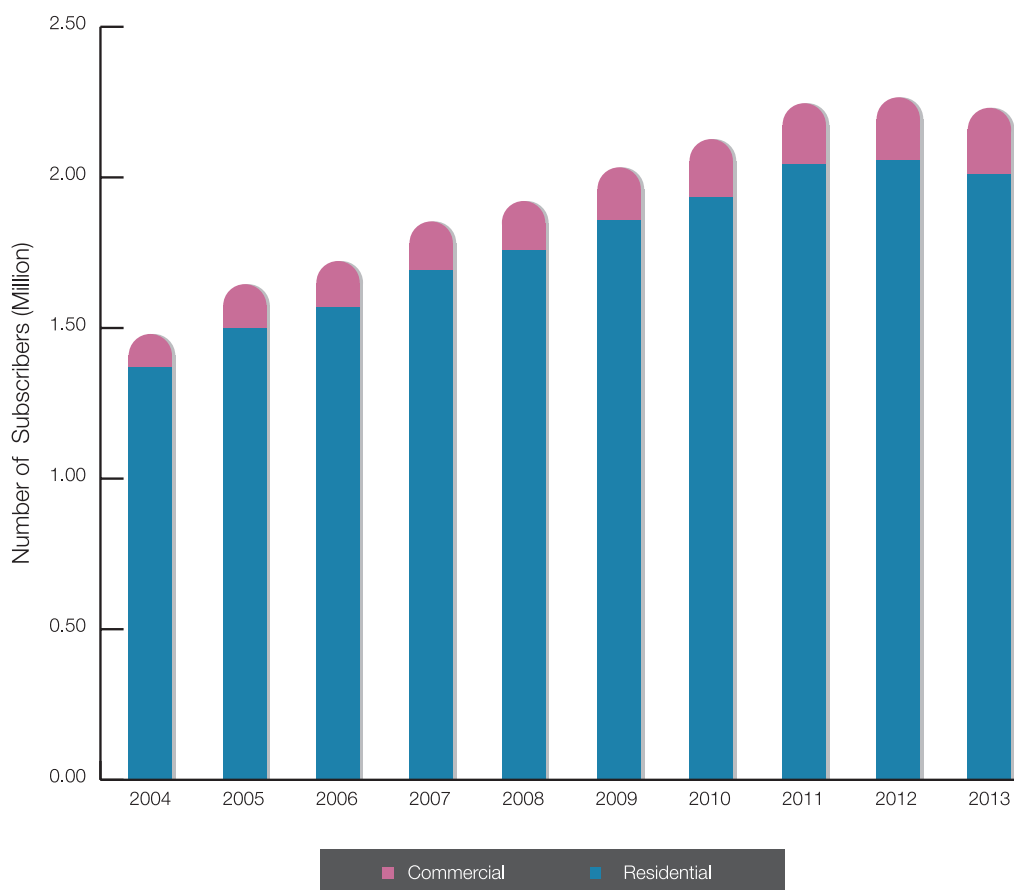
As at March 2014, there were 21 facility-based operators and 182 services-based operators authorised to provide broadband Internet access services in Hong Kong. With the continuous network rollout of facility-based operators, the Hong Kong community is able to enjoy the nearly ubiquitous coverage of broadband networks through the deployment of various technologies including asymmetric digital subscriber line (ADSL), fibre-to-the-building (FTTB), fibre-to-the-home (FTTH), hybrid fibre coaxial cable, etc. Broadband access to various applications and content services has become an integral part of the life of people in Hong Kong. As at March 2014, there were around 2.2 million residential and commercial fixed broadband subscribers, with a household penetration rate of 83%. Broadband services are available at speeds up to 1 Gbps. Over 92% of the broadband subscribers are using service plans with speeds at 10Mbps or above. The statistics of fixed broadband subscribers as at March 2014 and the statistics for the past 10 years are shown in [Figure 14](#) and [Figure 15](#) respectively.

**FIGURE 14: STATISTICS OF FIXED BROADBAND SUBSCRIBERS AS AT MARCH 2014**

	No. of subscribers	%
Total No. of broadband subscribers	2 235 223	
Broadband speed of 10Mbps or above	2 071 930	92.7%
Broadband speed below 10Mbps	163 293	7.3%
Residential	2 010 474	89.9%
Commercial	224 749	10.1%



**FIGURE 15: FIXED BROADBAND SUBSCRIBERS (2004 TO 2013)**



### *Development of Next Generation Networks*

Traditional telecommunications networks are built around circuit-switched technologies and are primarily designed for the conveyance and provision of dedicated telecommunications services. With the advent of new technologies, it is now possible to build a single network for the conveyance and provision of a variety of services, including fixed voice telephony service, data service, mobile service and television service. Such new networks are commonly referred to as next generation networks (NGNs).

In Hong Kong, the development of NGNs has always been driven by commercial considerations of carriers, without any government funding. Some carriers have already launched their NGNs, while others are in the process of migrating their existing networks to NGNs. With the advent of NGN, it is necessary for the Authority to remain vigilant about the challenges to be brought about by NGN and ensure that the regulatory framework remains updated and appropriate in the NGN era. After the completion of a consultancy study commissioned to examine the implication of NGN development on the regulatory framework in Hong Kong, the NGN working group set up under OFCA, with members coming from the





industry as well as various professional associations, has been deliberating on various issues pertinent to NGN, including in-building broadband and fibre access to individual users, and collection of NGN related statistics, etc. NGN interconnection trials among operators were being arranged.

### *Public Wi-Fi Services*

Operators have been actively rolling out Wi-Fi networks. There are 5 fixed network operators and 36 class licensees authorised to provide public Wi-Fi services. As at March 2014, there were 20 660 public Wi-Fi hotspots in the city and the number continued to grow. As at March 2014, free Wi-Fi services were available to the public in more than 440 government premises.

### *External Telecommunications Services*

The external telecommunications facilities market was fully liberalised in 2000. As of March 2014, 41 fixed carriers were authorised to provide cable-based and/or non-cable-based external telecommunications facilities.

As at March 2014, Hong Kong had a total of seven cable landing stations: two in Tong Fuk, two in Tseung Kwan O and one each in Deep Water Bay, Chung Hom Kok and Cape D'Aguiar, making it a major telecommunications and internet hub in the region.





In March 2014, Hong Kong was connected to nine regional and trans-Pacific submarine cable systems. They are Asia-America Gateway Cable System (AAG), Asia Pacific Cable Network 2 (APCN-2), Asia Submarine-Cable Express (ASE), EAC - C2C, FLAG Europe Asia (FEA), FLAG North Asia Loop (FNAL)/REACH North Asia Loop (RNAL), Sea-Me-We 3 (SMW3), South-East Asia Japan Cable System (SJC) and TGN-Intra Asia Cable System (TGN-IA). Among them, the SJC started its operation in Hong Kong in June 2013. It was also connected to the Mainland's three overland cable networks. As at March 2014, the total equipped external capacity exceeded 15 091Gbps. Total external telephone traffic was 10 418 362 000 minutes for the period from 1 April 2013 to 31 March 2014.

### *Satellite Services*

Hong Kong adopts the open sky policy in regulating the provision of satellite services. Satellite-based telecommunications and television broadcasting services are provided via a multitude of satellites in the region with more than 200 satellite earth station antennas operated by a number of fixed carriers and broadcasters.

For operation of satellites and associated facilities, however, licences are required. As at March 2014, there were two Hong Kong companies licensed to operate and provide satellite communication services, namely Asia Satellite Telecommunications Company Limited (AsiaSat) and APT Satellite Holdings Limited (APT). AsiaSat and APT were established in 1988 and 1992 respectively.

AsiaSat and APT now operate eight satellites while some of the existing satellites will soon reach the end of their designed operation lives. The two companies have entered a new investment cycle of launching new satellites for replacement and provision of new business. Three new satellites are anticipated to be launched from the second half of 2014 to 2015.





## BROADCASTING

### 6.1 Extending the Coverage of DTT Broadcasting

Since the commencement of DTT services in end 2007, the two domestic free television programme service licensees, namely ATV and TVB, have completed a total of 29 digital broadcasting stations by phases, bringing the overall DTT coverage to at least 99% of the Hong Kong population, which was on a par with that of analogue television services, by September 2013. More people can now enjoy better quality pictures and enhanced audio-visual features, including HDTV and surround sound, with more programming choices available from additional television channels and valued added services (e.g. closed captioning, electronic programme guide, interactive services). At the same time, OFCA has continued to examine, together with the two licensees, how to address the problem of television reception in those areas currently suffering from unsatisfactory television reception.

### 6.2 Monitoring the Roll-out of DAB Services

The three DAB licensees, viz. DBC, Metro and Phoenix U Radio were required under their licences to formally commence DAB services by September 2012 and to launch by phases a total of 13 channels (three each for Metro and Phoenix U Radio and seven for DBC) with a wide variety of programmes. The three DAB licensees formally launched DAB services in 2012 in accordance with the licence requirements. As at end March 2014, the three licensees and RTHK provided a total of 16 DAB channels (seven by DBC, two by both Metro and Phoenix U Radio and five by RTHK).





### **6.3 Renewal of Domestic Free and Domestic Pay Television Programme Service Licences**

The domestic free television programme service licences of ATV and TVB are due to expire in November 2015. The two licensees submitted applications for licence renewal in November 2013. In accordance with the BO and established practice for processing the licence renewal applications, the Authority has conducted a comprehensive assessment of the performance of the two licensees in relation to their compliance with the statutory requirements, licence conditions and codes of practice promulgated by the Authority, and considered their operational, financial and technical capability, programming arrangements and future commitments. The Authority also conducted a public consultation exercise from February to April 2014 and will take the public views received into account when submitting its recommendations to the CE in C in the fourth quarter of 2014.

The domestic pay television programme service licence of PCCW Media is due to expire in September 2015. PCCW Media submitted an application for renewal of its licence in September 2013. The Authority has, according to the BO and established procedures, conducted a comprehensive assessment of PCCW Media's performance since September 2003 and conducted a public consultation exercise on the service of PCCW Media with a view to submitting recommendations to the CE in C in the third quarter of 2014.

### **6.4 Follow-up to Applications for Domestic Free Television Programme Service Licences**

In October 2013, the CE in C approved in principle the applications for domestic free television programme service licences of Fantastic TV and HKTVE. The Authority has proceeded with the follow-up work immediately after the announcement of the decision, and has requested the two applicants to submit further information on a number of issues. Upon completion of the assessment of further information submitted by the two applicants, and conclusion of licence negotiations, the Authority will submit to the CE in C recommendations on whether free televisions programme service licence(s) should be formally granted to the two applicants and the associated licence conditions.





## 6.5 Grant and Renewal of Non-domestic and Other Licensable Television Programme Service Licences

During the period under review, the Authority granted one non-domestic television programme service licence to Star China Media Limited, as well as one other licensable television programme service licence to Swisscom Hospitality Hong Kong Limited for the provision of television programme service in hotel rooms in Hong Kong.

The Authority also approved the applications for renewal of the following non-domestic television programme service licences and other licensable television programme service licences for the provision of television programme service in hotel rooms in Hong Kong:

### Non-domestic television programme service licences

- China Entertainment Television Broadcast Limited
- GLOBECAST HONG KONG LIMITED (formerly known as GlobeCast Hong Kong Limited)
- Sun Television Cybernetworks Enterprise Limited
- Turner International Asia Pacific Limited

### Other Licensable television programme service licences

- Goodnews Communication International Limited
- Greenroll Limited





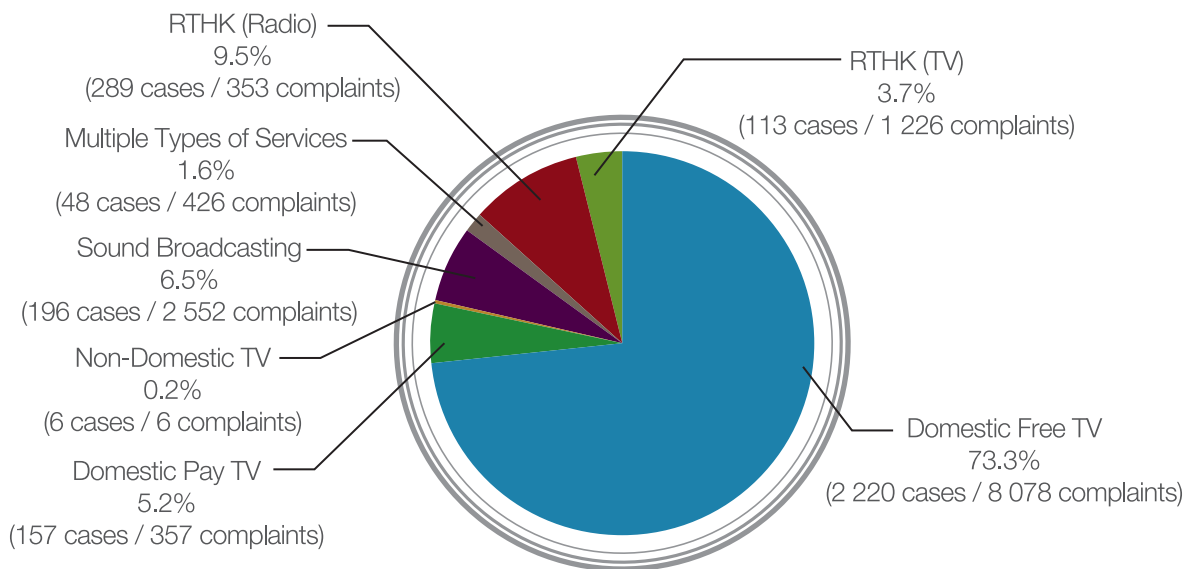


## 6.6 Processing Complaints relating to Broadcasting Services

### Overview of the Complaints Processed

During the period from April 2013 to March 2014, the Authority processed a total of 3 029 cases (12 998 complaints<sup>24</sup>) about the materials broadcast by broadcasters, which represented an increase of 86% in the number of cases and a decrease of 74% in the number of complaints as compared to the numbers recorded during the same period in the previous year (1 625 cases, 49 184 complaints<sup>25</sup>). Breakdown of all the complaint cases by broadcasting service and broadcaster processed during the period is shown in [Figure 16](#) and [Figure 17](#) respectively.

**FIGURE 16: DISTRIBUTION OF ALL COMPLAINT CASES BY BROADCASTING SERVICE PROCESSED IN 2013/2014**



24 To ensure operational efficiency, complaints with similar or related allegations against the same broadcast material are handled together and counted as a single case.

25 The significant decrease in the number of complaints was attributed to a controversial case in 2012/13 against a personal view programme broadcast on ATV which attracted over 42 000 complaints.

**FIGURE 17: DISTRIBUTION OF ALL COMPLAINT CASES BY BROADCASTER PROCESSED IN 2013/2014**

Broadcasters	No. of Complaint Cases	No. of Complaints
ATV	512	831
TVB	1 688	7 216
HKCTV	76	112
PCCW Media	58	160
TVBNV	21	22
One TV Media Global <sup>26</sup>	5	5
Phoenix Satellite TV <sup>26</sup>	1	1
CRHK	137	2 481
Metro	48	53
DBC	9	16
Phoenix U	1	1
RTHK (TV)	113	1 226
RTHK (Radio)	289	353
Multiple Broadcasters	71	521
<b>Total</b>	<b>3 029</b>	<b>12 998</b>

Among all the complaint cases processed, the DG Com handled 2 986 cases (7 131 complaints) under delegated power of the Authority. These complaints were related to breaches of a minor nature, or allegations which did not constitute any breach or were outside the remit of section 11(1) of the B(MP)O, i.e. the substance of the complaint did not involve a contravention of the legislation, licence conditions or codes of practice. The Authority dealt with 43 cases (5 867 complaints). Details of the outcomes of all the complaints processed during this period are at [Figure 18](#).

<sup>26</sup> A non-domestic television programme service licensee.



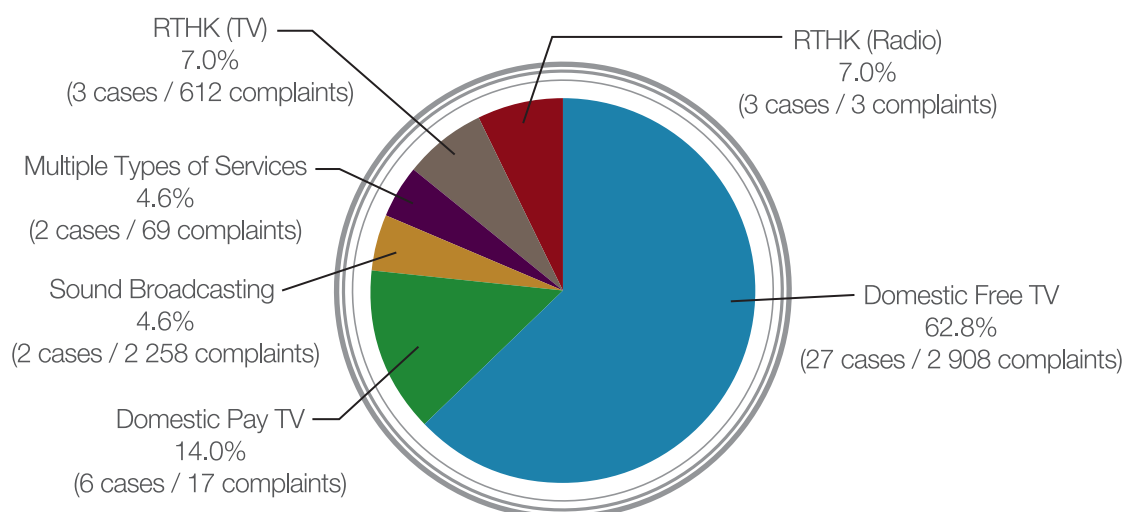
**FIGURE 18: OUTCOMES OF ALL THE COMPLAINTS DEALT WITH BY THE AUTHORITY AND DG COM**

	Within Section (11)1 of B(MP)O				Outside Section (11)1 of B(MP)O	Total
	Substantiated		Unsubstantiated		DG Com	
	The Authority	DG Com	The Authority	DG Com		
No. of Cases	30	112	13	1 773	1 101	<b>3 029</b>
No. of Complaints	2 480	420	3 387	4 556	2 155	<b>12 998</b>

### Complaints Dealt with by the Authority

Among the 43 complaint cases dealt with by the Authority, 63% were related to the domestic free television programme services. Breakdown of these complaint cases by broadcasting service is at [Figure 19](#).

**FIGURE 19: BREAKDOWN OF COMPLAINT CASES DEALT WITH BY THE AUTHORITY BY BROADCASTING SERVICE**





Regarding the nature of the broadcast materials under complaint, 39 out of the 43 complaint cases dealt with by the Authority were related to programmes and four about advertisements. 30 complaint cases were substantiated. Among the substantiated cases, the main substance of complaints of nine cases were related to the mingling of programme and advertising material or the embedding of advertising material within programme content. Seven cases were related to inaccurate factual content in news programmes, personal view programmes or children's programmes. Four were related to foul expressions or offensive language. Six were related to the concerned licensee's failure to provide subtitling for pre-recorded programmes or segments, depictions of violence not suitable for broadcast during the family viewing hours, inappropriate programme classification, duration of news programme falling short of the stipulated requirement, and broadcast of public appeals in programme without the Authority's approval. Four substantiated cases were related to advertisements, among which two were related to broadcast of liquor advertisements during the family viewing hours or in proximity to a children's programme, one was related to broadcast of an advertisement containing sensual portrayals on a domestic pay television programme service channel targeting children and the remaining one was related to misleading presentation in an advertisement.

The Authority imposed financial penalties of \$100,000 on two occasions, issued four serious warnings, six warnings, seven pieces of strong advice and nine pieces of advice, and classified three cases as minor breaches. A breakdown of the decisions of the Authority on complaints dealt with in 2013–2014 is at [Figure 20](#).

**FIGURE 20: DECISION OF THE AUTHORITY ON COMPLAINT CASES DURING 2013/2014**

Decision of the Authority	ATV	TVB	HKCTV	PCCW Media	TVBNV	CRHK	RTHK	Total
No Further Action	1	6	0	2	1	1	3	<b>14</b> <sup>note 1</sup>
Minor Breach	1	2	0	0	0	0	0	<b>3</b>
Advice	3	3	0	0	1	1	1	<b>9</b>
Strong Advice	1	3	1	0	0	0	2	<b>7</b>
Warning	1	2	2	0	1	0	0	<b>6</b> <sup>note 2</sup>
Serious Warning	1	3	0	0	0	0	0	<b>4</b>
Financial Penalty	0	2	0	0	0	0	0	<b>2</b> <sup>note 2</sup>
<b>Total</b>	<b>8</b>	<b>21</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>6</b>	<b>45</b> <sup>notes 1 &amp; 2</sup>

Note 1: One unsubstantiated complaint case involved broadcasts by two licensees and hence no further action should be taken against the two concerned licensees.

Note 2: One substantiated complaint case involved broadcasts by two licensees and hence there were two sanctions on the same case.



## 6.7 Review of Codes of Practice

The Authority conducts regular reviews of its Codes of Practice to provide guidance to broadcasters on programme, advertising and technical standards. During the period under review, the Authority approved amendments to the existing Codes as set out below.

### Editorial programmes and personal view programmes (PVPs)

The Authority completed a review of the regulation of editorial programmes and PVPs and approved the amendments to the Generic Code of Practice on Television Programme Standards, Radio Code of Practice on Programme Standards and Radio Code of Practice on Ancillary Visual Service Standards. The major amendments included that editorial programmes which included the views of the licensee and persons exercising control of it (Person Providing the Service) should be regarded as one type of PVPs and be subject to existing ground rules on PVPs; that a suitable announcement should be made at the start of the programme to identify clearly that the views expressed in an editorial programme were or included those of the Person Providing the Service; and that a suitable opportunity for response to a PVP should be provided either in the same programme, in the same series of programmes or in similar types of programmes targeting a like audience within an appropriate period. The new rules took effect on 1 July 2014.

In conducting the review, the Authority had taken into consideration views from the public and the licensees received in the public consultation conducted from December 2013 to February 2014. The Authority considered that the revisions had struck a proper balance between licensees' right to freedom of expression on one hand, and a more responsible use of their broadcast rights on the other.

## TELECOMMUNICATIONS

### 6.8 Re-assignment of 3G Spectrum

The Authority announced in November 2013 its decision to adopt the hybrid administratively-assigned cum market-based approach to re-assign the 2 x 60 MHz of 3G Spectrum upon expiry of the existing assignments on 21 October 2016. Under the hybrid approach, the four incumbent 3G operators will be offered a right of first refusal for re-assignment of two-thirds of the 3G Spectrum. Should any of them decide not to exercise the right of first refusal, the spectrum thus becoming available will be pooled together with the remaining one-third of the 3G Spectrum for re-assignment through auction.



In arriving at the decision, the Authority had taken into account the submissions received in the two rounds of public consultation, the findings of a consultancy study commissioned by the Government, the policy views of the SCED, and had conducted its own independent assessment. The hybrid approach is considered to best meet the multiple objectives in spectrum re-assignment, viz. ensuring customer service continuity, efficient spectrum utilisation, promotion of effective competition, and encouragement of investment and promotion of innovative services.





The auction is planned to take place towards the end of 2014. The new 15-year term of frequency assignments will be from 22 October 2016 to 21 October 2031.

## 6.9 Handling the Application for Prior Consent to the Proposed Acquisition of CSL New World Mobility Limited by HKT Limited

Under section 7P of the TO, parties to a merger or acquisition involving “*a change in relation to a carrier licensee*” may seek the Authority’s prior consent to the proposed transaction.

On 4 October 2013, the Authority received an application by Hong Kong Telecommunications (HKT) Limited (HKT), a carrier licensee, seeking the Authority’s prior consent to its acquisition of CSL Limited (CSL), another carrier licensee. Subsequently in December 2013, HKT Limited, the parent company of HKT, submitted a revised application clarifying that the acquisition would be of CSL New World Mobility Limited (CSLNWM), the parent company of CSL, by HKT Limited. As the proposed transaction would involve the acquisition of CSL, a carrier licensee, it constituted “*a change in relation to a carrier licensee*” and as such, section 7P of the TO is applicable.

By way of background, where the Authority receives an application for consent under section 7P of the TO, it has to consider whether the proposed transaction would have, or be likely to have, the effect of substantially lessening competition (SLC) in a telecommunications market. If the Authority considers that there would be such an effect, it would need to take a view on whether the proposed transaction would have, or be likely to have, a benefit to the public that would outweigh any detriment to the public that would be, or would likely to be, constituted by any such effect of SLC (Public Benefit Test). Where the Authority forms an opinion that the proposed transaction would have, or be likely to have, the effect of SLC in a telecommunications market, and the Public Benefit Test is not satisfied, it may give consent subject to the direction that the carrier licensee concerned should take such action as the Authority considers necessary to eliminate or avoid the effect of SLC in connection with the proposed transaction. The Authority may refuse to give consent altogether if the Public Benefit Test is not satisfied and that it is unable to identify remedies which it considers necessary to eliminate or avoid the effect of SLC.

In regard to HKT Limited’s application, the Authority conducted a public consultation from 23 December 2013 to 4 February 2014 inviting representations from all carrier licensees and any interested parties on the proposed transaction pursuant to the requirements under section 7P. The Authority appointed an external economic consultant to perform detailed competition analysis on the proposed transaction.



Having considered the representations received and the competition analysis performed by the external consultant, the Authority formed the opinion that the proposed transaction would have, or likely to have the effect of SLC in two relevant telecommunications markets, namely the markets of retail mobile telecommunications services and wholesale access to mobile networks. Also, the Authority was of the view that HKT Limited had not made out a case that the proposed transaction would benefit the public. The Authority nevertheless identified a set of remedies which it considered necessary to eliminate or avoid the effect of SLC. In April 2014, the Authority decided to give consent to the proposed transaction pursuant to section 7P of the TO, subject to the condition that HKT and CSL, as carrier licensees concerned, should take the necessary actions to eliminate or avoid the effect of SLC that was identified. The Authority's decision was published on 2 May 2014.



## 6.10 Reduction of Telecommunications Licence Fees

In November 2012, the Authority and the SCED issued a joint statement to promulgate their decision to reduce the customer connection fee level of UCLs from \$800 to \$700 for each 100 customer connections, and to reduce the mobile station fee level of PRS Licences (Paging) and SBO Licences (Class 3) from \$800 to \$700 for each 100 mobile stations. Following completion of the legislative procedure, the new licence fees took effect on 1 March 2013.

In February 2013, PCCW applied for leave to lodge a judicial review (JR) application against the Authority and SCED on their decisions on the licence fees reduction. The Court granted leave to PCCW's application for the JR in July 2013. On 14 August 2014, the Court fixed the dates of the substantive hearing on 17 to 23 June 2015. The Authority will handle the JR in accordance with legal procedures.



## 6.11 Update on the Review of Regulatory Guidance on the Charging Principles for Narrowband Interconnection between Fixed Carriers

Regulatory guidance on the charging principles for narrowband interconnection between fixed carriers was first promulgated in 1995, when the local fixed telecommunications market was liberalised. Taking into account the significant changes and developments in the market and technologies over the past two decades, regulatory guidance which applies to narrowband interconnection between fixed carriers is no longer necessary noting that broadband interconnection is also not subject to similar regulatory guidance. After a public consultation, the Authority decided in April 2013 that the regulatory guidance would cease to be effective starting from 16 October 2014, after an 18-month transitional period. Fixed carriers are encouraged to make their best endeavours to conclude commercial agreements on interconnection. In the meantime, OFCA will continue to monitor the market developments during the transitional period and assist the industry in resolving problems, if any, arising from the withdrawal of the regulatory guidance.

## 6.12 Regulation of Broadcast-type Mobile TV Services

Since the launch of Mobile TV Service in February 2012, the China Mobile Multimedia Broadcasting (CMMB) standard has been used as the transmission standard. Hong Kong Television Network Limited (HKTV) announced on 20 December 2013 the completion of its acquisition of all shares of the original licensee holding the UCL which authorised it to provide Mobile TV Service (the Mobile TV Licence) and subsequently renamed the licensee as Hong Kong Mobile Television Network Limited (HKMTV). In January 2014, HKMTV indicated to OFCA its proposal to switch from the original CMMB standard to the Digital Terrestrial Multimedia Broadcast (DTMB) standard.

Given that the DTMB standard is the transmission standard adopted for the provision of DTT services by the incumbent free television programme service licensees in Hong Kong, HKMTV's switch to the DTMB standard without implementing effective technical measures to ensure its Mobile TV Service would not be available for reception by an audience of more than 5000 specified premises in Hong Kong would trigger the licensing requirement under the BO in relation to a domestic free television programme service licence and/or domestic pay television programme service licence. Also, the reception of Mobile TV Service by household television sets via fixed installations, such as in-building coaxial cable distribution systems and rooftop antennas, would constitute the provision of a fixed service, in breach of Schedule 1 to the Mobile TV Licence. Schedule 1 of HKMTV's Mobile TV Licence provides that nothing in the licence authorises the licensee to provide any fixed services using the frequencies specified in the Mobile TV Licence, and to provide any service subject to licensing under any other ordinance.

HKTV and HKMTV disagreed with the Authority's view that Mobile TV Service using the DTMB service should be subject to the regulation by the BO. On 11 April 2014, HKTV and HKMTV filed an application to the court for leave to apply for JR against the Authority's views. The Authority will handle the issues concerned in accordance with the legal procedures.



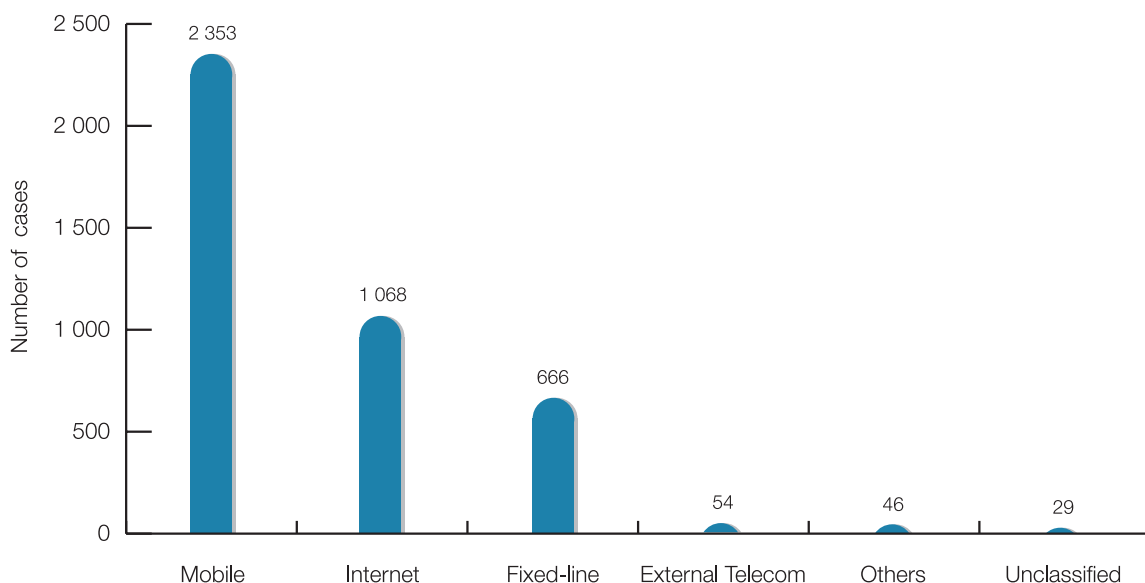
### 6.13 Processing Complaints relating to Telecommunications Services

As the telecommunications market is fully liberalised and highly competitive, the Authority has adopted a light-handed regulatory approach. The Authority investigates consumer complaints against telecommunications licensees if there is sufficient evidence to establish a prima facie case on possible breaches of any provisions under the TO or licence conditions. For other consumer complaints not involving any breach of the TO, relevant regulations or licence conditions, it is the responsibility of the telecommunications operators to resolve the matters under complaint with their customers. The Authority will take note of and monitor all consumer complaints received. Appropriate actions would be taken if any systemic issues are identified in the consumer complaints.

During the year under review, the Authority received a total of 4 216 consumer complaints relating to telecommunications services. Among them, 2 353 cases (55.8%) were related to mobile services, 1 068 cases (25.3%) were related to Internet services, 666 cases (15.8%) were related to fixed-line services and 100 cases (2.4%) were related to external communications and other services. On the complaint nature, the number of bill disputes complaints (1 051 cases or 24.9%) ranked the highest among all categories of complaints received, while complaints about customer service quality (707 cases or 16.8%) and service quality (672 cases or 15.9%) ranked second and third respectively.

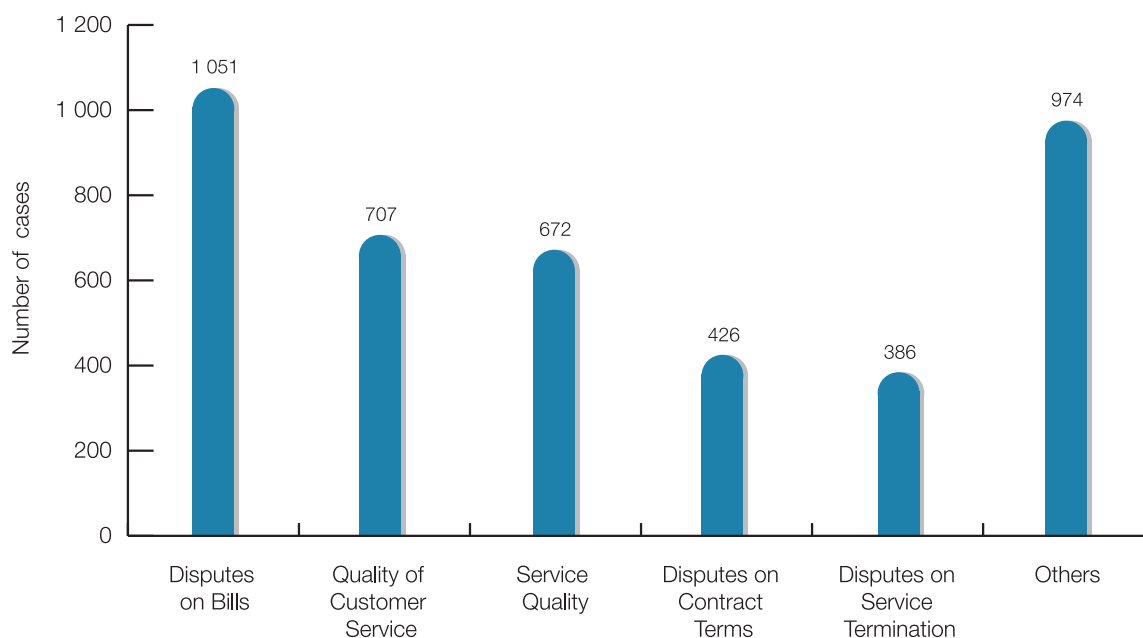
Breakdown of complaint cases by types of telecommunications services and complaint natures received by the Authority during the period are shown in [Figure 21](#) and [Figure 22](#) respectively.

**FIGURE 21: DISTRIBUTION OF COMPLAINT CASES BY TYPES OF TELECOMMUNICATIONS SERVICE RECEIVED BY THE AUTHORITY IN 2013/2014**





**FIGURE 22: DISTRIBUTION OF COMPLAINT CASES BY COMPLAINT NATURE RECEIVED BY THE AUTHORITY IN 2013/2014**



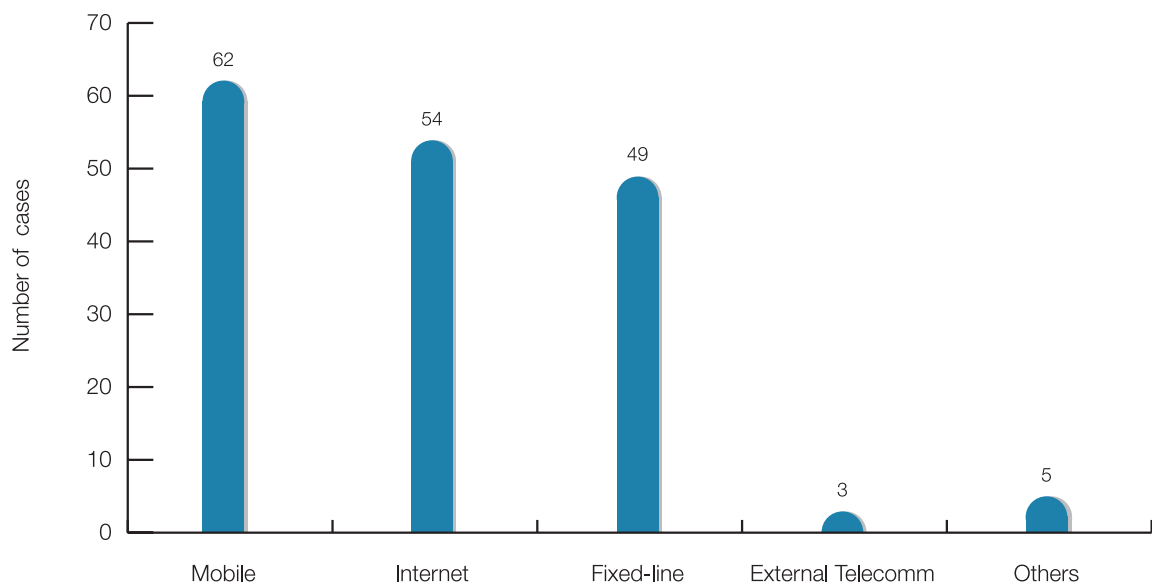
Among the 4 216 complaint cases received, 4 043 cases (95.9%) were found to be outside the Authority's jurisdiction. For the remaining 173 cases (4.1%), they might have breached the TO or licence conditions. The majority of these cases were related to sales conduct, suspected anti-competitive behaviour, abuse of market power, and difficulties in accessing buildings to provide services. Regulatory actions will be taken against the telecommunications operators concerned if the complaints are found to be substantiated after investigations.

Breakdown of complaint cases that might involve possible breach of the TO or licence conditions by types and natures received by the Authority during the year under review are at [Figure 23](#) and [Figure 24](#) respectively.

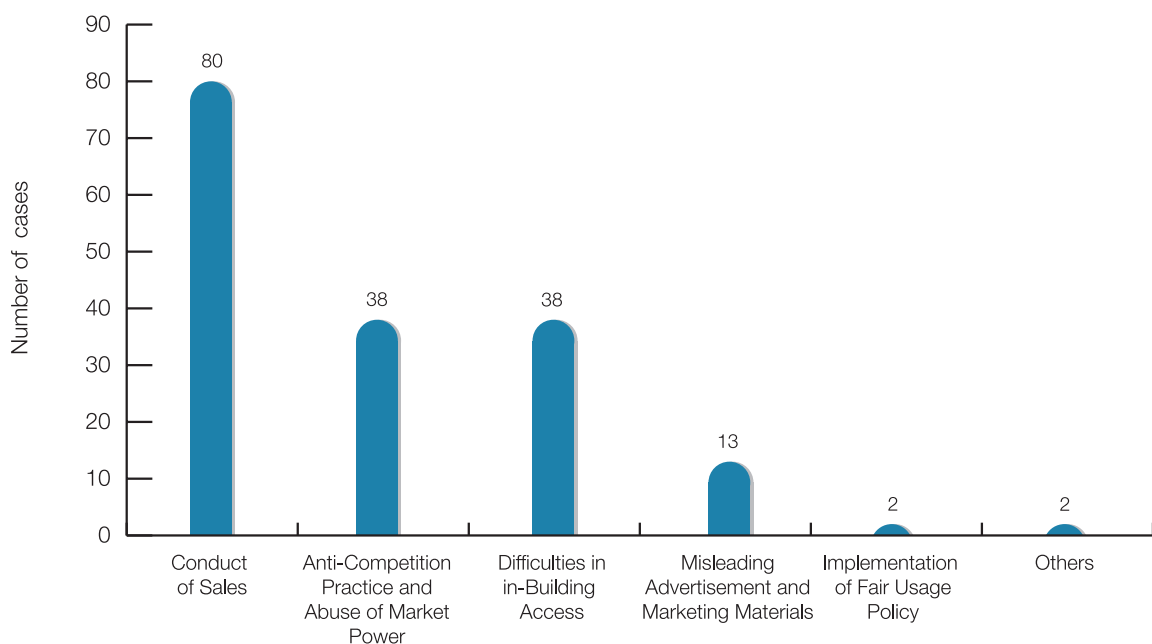




**FIGURE 23: DISTRIBUTION OF COMPLAINT CASES BY TYPES OF TELECOMMUNICATIONS SERVICE RECEIVED BY THE AUTHORITY IN 2013/2014**



**FIGURE 24: DISTRIBUTION OF COMPLAINT CASES BY COMPLAINT NATURE RECEIVED BY THE AUTHORITY IN 2013/2014**





In the past few years, the Authority noted some significant trends in consumer complaints. They were mainly on telecommunications service contractual disputes, mobile bill shock, chargeable mobile content services and Fair Usage Policy implemented by telecommunications licensees. In collaboration with the telecommunications industry, various measures have already been implemented to address these complaints. These include the issue of an industry code of practice for voluntary compliance by telecommunications licensees on service contracts, implementation of mobile bill shock preventive measures, the set up of an Administrative Agency by the Communications Association of Hong Kong (CAHK) to govern the service delivery by mobile content services providers, and the promulgation of a set of mandatory guidelines governing the implementation of Fair Usage Policy by telecommunications licensees. The breakdown of complaint cases received on the complaint trends mentioned above during the year under review is at [Figure 25](#).

**FIGURE 25: NUMBER OF COMPLAINT CASES ON SIGNIFICANT TRENDS IN CONSUMER COMPLAINT RECEIVED BY THE AUTHORITY IN 2013/2014**

Significant Trends in Consumer Complaint	No. of Complaint Cases
Contractual disputes	812
Mobile bill shock	520
Fair Usage Policy	58
Chargeable mobile content services	27

#### 6.14 Review of the operation of Customer Complaint Settlement Scheme (CCSS)

In November 2012, OFCA worked with the CAHK to launch the CCSS for a trial period of two years. The CCSS is an alternate dispute resolution scheme which aims at resolving billing disputes in deadlock between telecommunications service providers and their residential/personal customers by means of mediation. All major telecommunications service providers participate in the scheme on a voluntary basis. OFCA sponsors the operation of the CCSS by contributing the necessary funding and has been playing an active role in monitoring the performance and the governance of the scheme, and providing other administrative support. OFCA is also responsible for assessing applications for mediation under the CCSS and referring accepted cases to the independent mediation service centre set up under the CAHK for follow-up actions.



In the first 17 months of trial operation from 1 November 2012 to 31 March 2014, OFCA received 190 billing disputes cases which met CCSS's acceptance criteria. Among them, 102 cases were satisfactorily settled before referral to the CCSS mediation service centre, and the remaining 88 cases were satisfactorily settled after following up by the CCSS mediation service centre. Following the end of the trial period, OFCA and the industry will assess the effectiveness of the CCSS and its usage by the public in considering the way forward.

### **6.15 Implementation of the Trade Descriptions (Unfair Trade Practices) (Amendment) Ordinance 2012**

The Trade Descriptions (Unfair Trade Practices) (Amendment) Ordinance 2012 came into full implementation on 19 July 2013. It extends the coverage of the Trade Descriptions Ordinance (TDO) from goods to services, prohibits specified unfair trade practices, and introduces an enhanced enforcement mechanism (collectively known as "fair trading sections"). The Authority is conferred jurisdiction concurrent with the Customs and Excise Department to enforce the fair trading sections of the TDO in relation to commercial practices of licensees under the TO and the BO directly connected with the provision of telecommunications and broadcasting services. The two enforcement agencies have issued the enforcement guidelines to provide guidance for traders and consumers as to the operation of the fair trading sections and have entered into a memorandum of understanding to co-ordinate the performance of their functions under the amended TDO.

During the period of 19 July 2013 to 31 March 2014, the Authority received and handled a total of 359 complaints under the TDO. Among these complaints, 160 were closed for there being insufficient evidence to suspect/establish a contravention or falling outside the scope of the TDO, five complaints were closed after advisory letters were issued to the licensees concerned to draw their attention to improvement of the relevant commercial practices in relation to the sale, supply or promotion of telecommunications or broadcasting services to consumers, and 194 complaints were under process at various stages.

Section 7M of the TO was repealed upon the implementation of the amended TDO. As a transitional arrangement, if misleading or deceptive conduct of the licensees was engaged prior to the implementation of the amended TDO, such conduct is still regulated and dealt with under section 7M of the TO.



## 6.16 Preparation for the Implementation of the Competition Ordinance

The Competition Ordinance (Cap 619) (CO) was passed by the Legislative Council on 14 June 2012. It provides for a cross-sectoral competition law prohibiting anti-competitive conduct in all sectors which has the object or effect of preventing, restricting or distorting competition. Under the CO, the CA is conferred jurisdiction concurrent with the Competition Commission to enforce the CO in respect of the conduct of telecommunications and broadcasting licensees, including merger and acquisition activities involving carrier licensees in the telecommunications sector. Upon commencement of the CO, the competition provisions in the BO and TO will be repealed, subject to transitional arrangements.

The Authority worked closely with the Competition Commission on the preparatory work required before the commencement of the CO, including preparation of the guidelines on the enforcement of the CO for public consultation, and preparation of the memorandum of understanding to be signed between the Authority and the Competition Commission to coordinate the performance of their functions under the concurrent jurisdiction arrangement.

## 6.17 Enforcement of the Unsolicited Electronic Messages Ordinance

The Unsolicited Electronic Messages Ordinance (UEMO) came into full force on 22 December 2007. The UEMO sets out the rules about sending commercial electronic messages (CEMs), including the requirements to provide accurate sender information and honour unsubscribe requests. Under the UEMO, the Authority has established three Do-Not-Call (DNC) registers to allow members of the public to register their numbers to indicate their choice of not receiving commercial facsimile messages, short messages and/or pre-recorded telephone messages unless they have given consent. By the end of March 2014, more than 2.6 million numbers had been registered under these DNC registers.

To facilitate compliance of the requirements under the UEMO by CEM senders, the Authority issued in August 2013 the revised Code of Practice under the UEMO which provides practical and updated guidance on the sending of CEMs.

The Authority will monitor the compliance with the UEMO by CEM senders and streamline the procedures for more effective enforcement.



## MAJOR REGULATORY ACTIONS

### 6.18 Sanctions against Broadcasting Licensees

#### Investigation into the Control and Management of ATV

On 23 August 2013, the Authority announced its findings of the investigation into the role played by Mr Wong Ching (Mr Wong) in the control and management of ATV. The investigation was initiated by the Authority in July 2011 in view of public concerns over the alleged improper participation of Mr Wong in the day-to-day management and operations of ATV. Based on the evidence collected, the Authority found, amongst other matters, that Mr Wong had unduly interfered with the day-to-day management and operations of ATV, and in so doing exercised *de facto* control of ATV. Given the findings of the investigation, the Authority decided to, among others, impose a financial penalty of \$1,000,000 on ATV for breaching Condition 10.1 of ATV's domestic free television programme service licence, and issue a direction under section 24 of the BO requiring ATV to submit a proposal to the Authority setting out in detail the steps that ATV should take to improve its corporate governance standard to a level which is expected of a licensee and thereafter submit annual progress reports until the Authority is satisfied that the proposed improvement measures have been fully and effectively implemented. ATV lodged a statutory appeal against the Authority's decision on the investigation with the CE in C in September 2013. The Authority will respond to the statutory appeal according to the established procedures.

#### TVB's Violation of the Competition Provisions of the Broadcasting Ordinance

In September 2013, the Authority completed its investigation into the complaints against the violation of the competition provisions of the BO by TVB and published the Authority's investigation report. The Authority found TVB in breach of sections 13 and 14 of the BO by adopting anti-competitive practices during the period from 2007 to 2010, and imposed on TVB a financial penalty of \$900,000 and directed TVB to take a number of remedial actions. TVB lodged a statutory appeal against the Authority's decision on the investigation with the CE in C in October 2013 and filed an application for JR on the appeal mechanism under the BO as well as the Authority's decision on the investigation in December 2013. The Authority will respond to the statutory appeal and JR according to the established procedures.

### 6.19 Sanctions against Telecommunications Licensees

#### Misleading or Deceptive Conducts of Telecommunications Operators

During the period of 1 April 2013 to 31 March 2014, OFCA handled 92 complaint cases under section 7M of the TO. The Authority found six of these complaint cases (detailed below) as infringements of the TO and imposed financial penalties ranging from \$50,000 to \$90,000 on the licensees concerned.





In May 2013, the Authority considered a complaint case against China Mobile Hong Kong Company Limited (CMHK). The complainant alleged that the representations made by CMHK in the promotion of its mobile services sent by short message service were misleading or deceptive as there was no mentioning of the compulsory requirement for the complainant to purchase a connecting tone service at the same time in order for him to enjoy the special offer. Having considered the investigation findings, the Authority was of the view that CMHK had engaged in misleading or deceptive conduct in breach of section 7M of the TO. The Authority imposed a financial penalty of \$90,000 on CMHK in relation to the breach concerned.

In July 2013, the Authority considered a complaint case against Wharf T&T Limited (WTT). The complainant alleged that WTT's salespersons had made misleading or deceptive representations to him in relation to the transmission speed of the Dedicated Internet Access Service (DIA Service) and the complainant's right of early cancellation of the contracts on an unconditional basis if he was dissatisfied with the DIA Service. Having considered the investigation findings, the Authority was of the view that WTT had engaged in misleading or deceptive conduct in breach of section 7M of the TO. The Authority imposed a financial penalty of \$80,000 on WTT in relation to the breach concerned.

In September 2013, the Authority considered a complaint against CSL Limited (CSL). The complainant alleged that the various speed representations made by CSL in its newspaper and online advertisements, poster mounted on a wall inside a MTR station, glass walls at its retail outlets, as well as customer bills and promotional inserts targeting specific credit cardholders between April and July 2011 promoting its mobile broadband services were misleading and deceptive. Having considered the investigation findings, the Authority was of the view that CSL's conduct had contravened section 7M of the TO. The Authority imposed a financial penalty of \$90,000 on CSL in relation to the contravention concerned.

In November 2013, the Authority considered a complaint case against Hutchison Global Communications Limited (HGC). The complainant alleged that HGC's salesperson had made the representations that the only way the complainant could unbundle HGC's telecom service charge from the property management fee was to subscribe to a separate service contract with HGC, but this was in fact not the case. Having considered the investigation findings, the Authority was of the view that HGC had engaged in misleading or deceptive conduct in breach of section 7M of the TO. The Authority imposed a financial penalty of \$90,000 on HGC in relation to the breach concerned.

In December 2013, the Authority considered a complaint case against HGC. The complainant alleged that during the telesales call for renewal of his residential fixed line service contract, HGC's salesperson had incorrectly informed him that his existing monthly fee was \$48, as it was in fact \$38. Having considered the investigation findings, the Authority was of the view that HGC had engaged in misleading or deceptive conduct in breach of section 7M of the TO. The Authority imposed a financial penalty of \$50,000 on HGC in relation to the breach concerned.



In February 2014, the Authority considered a complaint case against HTCL. The complainant alleged that HTCL's salesperson had engaged in misleading or deceptive sales conduct by not disclosing to him the data speed restriction under the mobile service plan being promoted to him. Having considered the investigation findings, the Authority was of the view that HTCL had engaged in misleading or deceptive conduct in breach of section 7M of the TO. The Authority imposed a financial penalty of \$60,000 on HTCL in relation to the breach concerned.

### Network Outage of China Motion Telecom (HK) Limited

On 30 March and 9 April 2013, there were two separate incidents of network outage of the mobile services of China Motion Telecom (HK) Limited (China Motion), causing disruption to its voice services, short message services and data services. After considering the assessment of OFCA, the Authority concluded that China Motion had failed to comply with General Condition 5.1 of its licence which required it to operate, maintain and provide a good, efficient and continuous service in a manner satisfactory to the Authority. Having considered carefully the circumstances of the case and taken all factors into account, the Authority imposed a financial penalty of \$80,000 on China Motion.

### Contravention of Mobile Number Portability Code of Practice by CSL Limited

In September 2013, the Authority considered a complaint case in relation to the porting of a consumer's mobile number from HKT to CSL without his consent. OFCA had conducted an investigation into the complaint and CSL admitted that the concerned consumer's number had been ported into CSL's network without his consent due to staff error. After considering the assessment of OFCA, the Authority concluded that CSL had contravened the "Code of Practice related to the Implementation of Mobile Number Portability" (Code of Practice) and therefore breached Special Condition (SC) 4.4 of its licence. Having considered the circumstances of the case, the nature of the breach and the number of customers affected, the Authority concluded that CSL should be advised to observe more closely SC 4.4 of its licence and the Code of Practice.

### Contravention of Fair Usage Policy Guidelines by China Motion

In September 2013, the Authority considered a consumer complaint alleging that China Motion had contravened the "Guidelines for the Implementation of Fair Usage Policy for the Provision of Mobile and Fixed Broadband Services" (FUP Guidelines). The complainant alleged that, in subscribing to China Motion's "unlimited" service plan, China Motion had not informed him that his service plan was in fact subject to the Fair Usage Policy (FUP) such that data speed restriction would be imposed after exceeding certain usage threshold as specified in the FUP.



After investigation, OFCA found that the service plan was promoted as “unlimited” without any qualifications in a copy of China Motion’s sales and marketing leaflet distributed to the consumer. After considering the assessment of OFCA, the Authority concluded that China Motion had contravened the FUP Guidelines and therefore breached SC 13.1 of its licence. Having considered the circumstances of the case and taken all factors into account, the Authority issued a warning to China Motion for it to strictly observe SC 13.1 of its licence in future.

### **Illegal Bypass of Local Access Charge by External Telecommunications Services Licensees**

The Authority also completed the investigation into four cases regarding illegal bypass of local access charge. The relevant licensees for external telecommunications services were each imposed a financial penalty ranging from \$65,000 to \$130,000 for breaching the licence conditions of their licences.

### **Investigation into Contravention of Telecommunications Licence Requirements**

General Condition (GC) 12.1 of the UCL prohibits the use of radio base stations by licensees without CA’s prior approval. During the period between 1 April 2013 and 31 March 2014, the Authority completed investigation into a complaint about the use of an unauthorised radio base station. The mobile network operator concerned was fined \$80,000 for breaching GC 12.1 of its UCL.

## **6.20 Sanctions against Senders of Commercial Electronic Messages (CEM)**

From April 2013 to March 2014, the Authority received 1 998 reports on suspected contraventions of the UEMO, representing a drop of around 17% as compared with the figure of the previous year. In dealing with these reports, the Authority would, depending on the circumstances, issue advisory letters to first time offenders explaining the requirements of the UEMO or issue warning letters to other CEM senders of more serious cases. During the period under review, 238 advisory or warning letters were issued. In the event of repeated contraventions by a particular sender, the Authority would issue an enforcement notice pursuant to the UEMO directing the concerned sender to take steps to remedy the offences. Any person who fails to comply with the enforcement notice may be liable to a fine of up to \$100,000 on the first conviction. In 2013/14, six enforcement notices were issued. The Authority also instituted the first case of prosecution under the UEMO in January 2014 against a CEM sender of fax for contravention of an enforcement notice served on him.



The Communications Authority would like to express its appreciation for the cooperation and support given by the following organisations in preparing the Report:

Asia Television Limited

Television Broadcasts Limited

Hong Kong Cable Television Limited

PCCW Media Limited

TVB Network Vision Limited

Starvision Hong Kong Limited

APT Satellite TV Development Limited

Starbucks (HK) Limited

China Entertainment Television Broadcast Limited

Turner International Asia Pacific Limited

Sun Television Cybernetworks Enterprise Limited

GLOBECAST HONG KONG LIMITED

Auspicious Colour Limited

Phoenix Satellite Television Company Limited

Times International Media Group Limited

Asia Times Online Limited

China Satellite TV Group Company Limited

Power Star Limited

Hong Kong TV International Media Group Limited

Health TV Company Limited



One TV Media Global Limited

Star China Media Limited

Hong Kong Commercial Broadcasting Company Limited

Metro Broadcast Corporation Limited

Digital Broadcasting Corporation Hong Kong Limited

Phoenix U Radio Limited

Hong Kong Broadband Network Limited

AdmanGo Limited

Commerce and Economic Development Bureau  
(Communications and Technology Branch)

Office of the Communications Authority

Information Services Department

Radio Television Hong Kong





## SUMMARY OF NON-DOMESTIC TELEVISION PROGRAMME SERVICES

Licensee	Date of Launch of Service	Number of Channels (Number receivable in HK)	Nature of Channels	Target Markets	Satellite
1. Starvision Hong Kong Limited	4.1991	42 (0)	General entertainment, movie, music, sports & news etc.	Asian region including the Mainland, India & Middle East	AsiaSat 3S AsiaSat 5 Measat 3
2. TVB Network Vision Limited	8.1998	22 (1)	Drama, general entertainment, movie & news etc.	Asian region, Australia & Europe	AsiaSat 3S Intelsat 19
3. APT Satellite TV Development Limited	8.2000	55 (1)	General entertainment, news, movies & sports	Indo-China, Taiwan & Macau	Apstar V Apstar VI Apstar VII
4. Starbucks (HK) Limited	6.2000	1 (1)	Weather, sports, music and finance etc.	Asia-Pacific region	AsiaSat 3S
5. China Entertainment Television Broadcast Limited	3.1995	1 (1)	General entertainment	Mainland, Southeast Asia & Asia-Pacific region	AsiaSat 3S
6. Turner International Asia Pacific Limited	1989	13 (10)	News, finance, movie, children & family programmes	Asia-Pacific region & South Asia	AsiaSat 3S Intelsat 19 Measat 3
7. Sun Television Cybernetworks Enterprise Limited	8.2000	1 (1)	History & culture-related documentaries	Asia-Pacific region	AsiaSat 3S
8. GLOBECAST HONG KONG LIMITED	11.2001	30 (12)	General entertainment, sports, finance & news	Asia-Pacific region	AsiaSat 3S MeaSat3
9. Asia Television Limited	1.2005	1 (0)	General entertainment & infotainment	Mainland	Apstar V
10. Auspicious Colour Limited	1.2006	10 (5)	General entertainment, infotainment & music	Asia-Pacific region	AsiaSat 3S AsiaSat 5 Intelsat 8



Licensee	Date of Launch of Service	Number of Channels (Number receivable in HK)	Nature of Channels	Target Markets	Satellite
11. Phoenix Satellite Television Company Limited	5.2006	4 (3)	General entertainment, news and movie	Asia-Pacific region	AsiaSat 3S
12. Times International Media Group Limited	to be launched in June 2014	0 (0)	N.A.	Asia-Pacific region	N.A.
13. Asia Times Online Limited	1.2008	7 (7)	News, finance and infotainment	Southeast Asia	NSS 6
14. China Satellite TV Group Company Limited	11.2009	1 (1)	Infotainment	Asia-Pacific region	AsiaSat 7
15. Power Star Limited	6.2010	75 (0)	News, movie, infotainment & children's programmes	Taiwan, Macau and South China	AsiaSat 4
16. Hong Kong TV International Media Group Limited	3.2011	2 (2)	Infotainment	Asia-Pacific region	Apstar VI
17. Health TV Company Limited	2.2013	1 (0)	Health information programmes, documentaries and general entertainment	Asia-Pacific region	Apstar V
18. One TV Media Global Limited	5.2013	1 (1)	News, finance, entertainment and sports	Asia-Pacific region	Apstar V
19. Star China Media Limited	1.2014	3 (0)	Music programmes, entertainment news and general entertainment	Asia-Pacific region	AsiaSat 3S



### As at 31 March 2014

Type of Licences	Number of Licences
Academic Institution Self-provided Telecommunications Installation	2
Aeronautical VHF Fixed Station	34
Aircraft Station	302
Amateur Station	2 613
Broadcast Radio Relay Station & Broadcast Relay Station	15
Experimental Station	95
Fixed Carrier, Fixed Carrier (Restricted) and Fixed Telecommunications Network Services	21
Hotel Television (Transmission)	148
Industrial, Scientific & Medical Electronic Machine	813
Maritime Radio (Local Vessel)	764
Mobile Carrier	1
Mobile Carrier (Restricted)	1
Mobile Radio System Fixed Station	19
Mobile Radio System Mobile Station	2 251
Private Mobile Radio System	2 163
Private Radio Paging System	14
Public Radiocommunications Service	9
Radio Dealers (Unrestricted)	3 066
Radiocommunications School	7
Radiodetermination and Conveyance of Commands, Status and Data	128
Satellite Master Antenna Television	76
Self-Provided External Telecommunications System	9
Services-Based Operator of Class 1 Service, Class 2 Service and Services Other Than Class 1, Class 2 or Class 3 Services <sup>Note 1</sup>	16
Services-Based Operator of Class 3 Service	537
Ship Station	2 192
Space Station Carrier	11
Taxi Radiocommunications Service	27
Unified Carrier — Mobile Services <sup>Note 2</sup>	8
Unified Carrier — Local/External Fixed Services <sup>Note 2</sup>	31
Wide Band Link & Relay Station	62
<b>Total</b>	<b>15 435</b>

Note 1: This figure includes 12 licences which are also authorized for the provision of SBO Class 3 services

Note 2: This figure includes two licences which are authorized to provide both fixed and mobile services