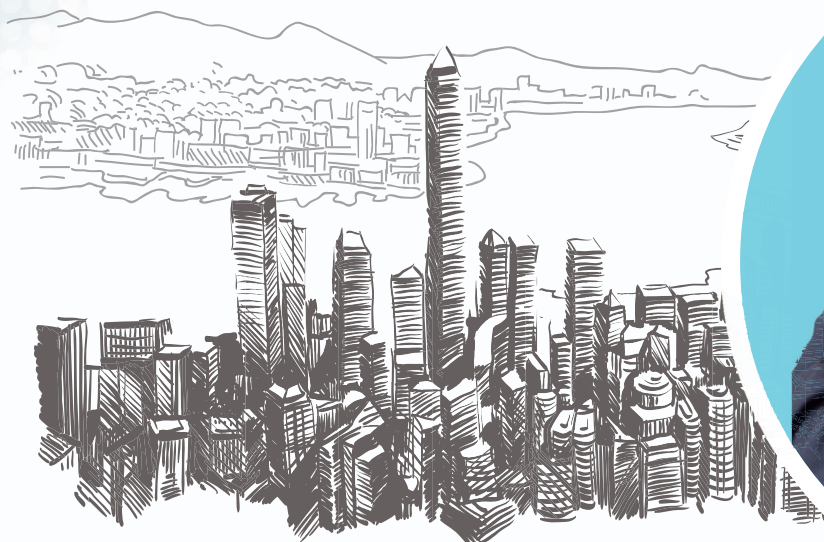


Chapter 2: Chairman's Message



It is a pleasure for me to present the third annual report of the Communications Authority (the Authority) covering the period from April 2014 to March 2015. The year under review has been a busy and challenging year for the Authority, with new developments in both the rapidly changing broadcasting and telecommunications sectors. This report presents the tasks undertaken by the Authority and the challenges that lie ahead.

A Thriving Broadcasting Market

Domestic Free Television Programme Services

During the period under review, the Authority devoted considerable attention to the licence renewal exercise of the two domestic free television programme service licensees, Asia Television Limited (ATV) and Television Broadcasts Limited

(TVB). Having regard to the overall assessment of the performance of the two licensees and the public views received, the Authority submitted its recommendations on the licence renewal applications to the Chief Executive in Council (CE in C) in November 2014. In April 2015, having regard to inter-alia the Authority's recommendations, the CE in C decided not to renew ATV's domestic free television programme service licence and extended the term of its existing licence to 1 April 2016 to comply with the requirement of the Broadcasting Ordinance (Cap. 562)(BO). In May 2015, the CE in C decided to renew TVB's licence for a term of 12 years with effect from 1 December 2015.

Since the CE in C approved in principle the applications for domestic free television programme service licence of Fantastic Television Limited (Fantastic TV) and HK Television Entertainment Company Limited (HKTVE), the Authority proceeded with the follow-up work and submitted to the CE in

C its recommendations on the licence applications in January 2015. Having regard to the Authority's recommendations, the CE in C formally granted a domestic free television programme service licence to HKTVE in April 2015, under which HKTVE is required to launch a Chinese channel and an English channel by March 2016 and March 2017 respectively. We are confident that HKTVE's entry into the domestic free television programme service market will benefit the viewing public by providing diversified programme choices.

In April 2014, Hong Kong Television Network Limited (HKTV) submitted to the Authority an application for a domestic free television programme service licence. The Authority has been examining various aspects of the licence application and has conducted a public consultation exercise to collect public views on the application. The Authority has been processing the application prudently in accordance with the statutory requirements and will submit its recommendations to the CE in C as soon as practicable.

Domestic Pay Television Programme Services

On the pay television front, Hong Kong viewers continued to enjoy a diversity of local and overseas programmes. The three domestic pay television programme service licensees provided a total of 395 domestic pay television programme service channels, of which 83 were high definition television (HDTV) channels. At the same time, the aggregate number of subscribers of licensed pay television services stood at over 2.4 million, representing a market penetration of 99%.

During the period under review, the Authority conducted a licence renewal exercise in respect of the domestic pay television programme service licence of PCCW Media Limited (PCCW Media). The Authority carried out a comprehensive assessment of the performance of the licensee, and conducted a public consultation exercise to collect public views

on its licence renewal application. The Authority submitted its recommendations on the licence renewal application of PCCW Media to the CE in C in September 2014. The CE in C accepted the Authority's recommendations and decided that PCCW Media's domestic pay television programme service licence be renewed for a term of 12 years with effect from September 2015.

Analogue Sound Broadcasting Services

The analogue sound broadcasting licences of Hong Kong Commercial Broadcasting Company Limited (CRHK) and Metro Broadcast Corporation Limited (Metro) will expire after 25 August 2016. CRHK and Metro submitted applications for renewal of their licences in July and August 2014 respectively. The Authority conducted a two-month public consultation exercise to collect public views on the licence renewal applications in September 2014 and completed a comprehensive assessment of the performance of the two licensees. Having regard to the overall assessment of the performance of the two licensees and the public views received, the Authority submitted its recommendations on the licence renewal applications to the CE in C in May 2015.

Rapid Growth of the Telecommunications Market

Availability of Fourth Generation (4G) Services Has Given a Further Boost to Mobile Data Usage

Thanks to the promising growth of 4G mobile services, Hong Kong's telecommunications market continued to flourish during the year under review. By March 2015, the number of mobile subscribers was 17 million, among which over 12.2 million were users of third generation (3G)/4G services. Mobile network operators and mobile virtual network operators are offering 4G services at affordable prices. Mobile data services are available at

downlink speeds of up to 300 megabits per second (Mbps) using Long Term Evolution (LTE) technology. In March 2015, the monthly mobile data usage further surged to 17 472 Terabytes, representing 1.3 times and 1.9 times the monthly usage over the same period in 2014 and 2013 respectively. The average mobile data usage of each mobile user rose to 1 418 Megabytes per month in March 2015, compared with 1 046 Megabytes in March 2014 and 818 Megabytes in March 2013. The increasing popularity of 4G mobile services has further boosted mobile data usage. The Authority will continue to take necessary measures to facilitate the robust development of the mobile services market.

Consumer Related Initiative

Long Term Implementation of the Customer Complaint Settlement Scheme

The two-year trial scheme of the voluntary Customer Complaint Settlement Scheme (CCSS) ended in October 2014. An assessment of the effectiveness of the trial was also completed. Having regard to the encouraging outcome of the CCSS trial, the proven demand from customers and the positive feedback from the telecommunications industry, the Office of the Communications Authority (OFCA) funded the long term implementation of the CCSS from 1 May 2015 on the basis of the framework adopted in the trial scheme.

Major Tasks and Challenges in the Coming Year

On the broadcasting side, processing of applications for grant and renewal of licences continue to be major activities in 2015-2016. The Authority will continue to process the domestic free television programme service licence application of HKTV, and take follow-up actions relating to the application for a domestic free television programme service licence by Fantastic TV. In April 2015, Forever Top (Asia) Limited (Forever Top) submitted an application for a domestic free television programme service licence. The Authority will similarly process Forever Top's application in accordance with the BO and the established procedures. The Authority will also process the licence renewal application in respect of the domestic pay television programme service of Hong Kong Cable Television Limited (HKCTV), the licence of which will expire in the first half of 2017. It plans to complete an assessment of the performance of HKCTV and conduct a public consultation exercise to collect public views on the licence renewal application with a view to making recommendations to the CE in C in the second quarter of 2016.

The existing assignments for 49.8 MHz of spectrum in the 900 MHz band and 148.8 MHz of spectrum in the 1800 MHz band will expire within the period between November 2020 and September 2021. The Authority is now making the relevant preparation and will launch a public consultation on the proposed way forward in the first quarter of 2016.

In Hong Kong, the 8-digit telecommunications numbering plan has been adopted since 1995. With the robust developments of the telecommunications industry and the popularity of mobile communications services over the last two decades, numbers available for allocation to mobile services would be exhausted in three years' time. The Authority proposed to make available more numbers for mobile services through maximizing utilization of the existing 8-digit numbering plan. A public consultation was launched in October 2015 to seek views about the various proposed measures.

The Authority is conferred concurrent jurisdiction with the Competition Commission (CC) to enforce the cross sectoral 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 on 14 December 2015, including finalisation of the guidelines on the enforcement of the CO after consultation, and preparation of the memorandum of understanding to be signed between the Authority and the CC to co-ordinate the performance of their functions under the concurrent jurisdiction arrangement.