

Chapter 2:

CHAIRMAN'S MESSAGE



It is a pleasure for me to present the fourth annual report of the Communications Authority (the Authority) covering the period from April 2015 to March 2016. The year under review was an eventful 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

The landscape of free television broadcasting has been undergoing changes during the period under review. On 1 April 2015, the Chief Executive in Council (CE in C) decided to formally grant a domestic free television programme service (free TV)

licence to HK Television Entertainment Company Limited (HKTVE). The Authority approved in January 2016 HKTVE's application to use spectrum, on top of a fixed network, as an additional transmission means to deliver its free TV service. HKTVE started to provide its licensed free TV service by using a fixed network and spectrum from 31 March and 2 April 2016 respectively, offering more programme choices for viewers.

On 1 April 2015, the CE in C also decided not to renew Asia Television Limited (ATV)'s free TV licence and extended the term of its licence to 1 April 2016 in accordance with the requirement under the Broadcasting Ordinance (Cap. 562)(BO). This is the first time in Hong Kong's broadcasting history that an incumbent's broadcasting licence has not been renewed. Following the CE in C's decision, the Authority, as the regulator, continued to closely monitor ATV's compliance with the relevant statutory and licence requirements in the run up

to the expiry of its licence. In parallel, the Authority handled the issues arising from the non-renewal of ATV's licence, many of which were unprecedented in Hong Kong's broadcasting history, including the withdrawal of broadcasting spectrum from ATV and the re-assignment of part of that spectrum to HKTVE and facilitation of a smooth changeover of free TV services and broadcasting spectrum upon the expiry of ATV's broadcasting licence at 00 hours on 2 April 2016.

Since the CE in C approved in principle the application for a free TV licence by Fantastic Television Limited (Fantastic TV) in October 2013, the Authority had proceeded with the follow-up work on the outstanding issues and submitted to the CE in C its recommendations on the application in January 2015. In response to the requests of the CE in C, the Authority submitted further recommendations on Fantastic TV's application to the CE in C in April 2016. On 31 May 2016, the CE in C decided to formally grant a 12-year free TV licence to Fantastic TV, under which Fantastic TV is required to launch a Chinese channel and an English channel by May 2017 and May 2018 respectively. With the launching of new free TV services, we hope that the television industry of Hong Kong will scale new heights and provide more diversified programmes for the audience.

In April 2014 and April 2015, Hong Kong Television Network Limited (HKTV) and Forever Top (Asia) Limited (Forever Top) submitted to the Authority applications for free TV licences. The Authority assessed HKTV's free TV licence application in accordance with the BO and established procedures and submitted its assessment of and recommendations on the application to the CE in C in January 2016. As for the licence application of Forever Top, the Authority has been processing the application 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 (pay TV) licensees provided a total of 401 pay TV channels, of which 107 were high definition television (HDTV) channels. At the same time, the aggregate number of subscribers of licensed pay TV services stood at over 2.3 million, representing a market penetration of over 94%.

During the period under review, the Authority conducted a licence renewal exercise in respect of the pay TV licence of Hong Kong Cable Television Limited (HKCTV). The Authority carried out a comprehensive assessment of the performance of HKCTV, 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 HKCTV to the CE in C in April 2016.

Analogue Sound Broadcasting Services

The analogue sound broadcasting licences of Hong Kong Commercial Broadcasting Company Limited (CRHK) and Metro Broadcast Corporation Limited (Metro) were due to expire after 25 August 2016. Having regard to the overall assessment of the performance of the two licensees and the public views received during the public consultation exercise, the Authority submitted its recommendations on the licence renewal applications to the CE in C in May 2015. The CE in C accepted the Authority's recommendations and renewed the analogue sound broadcasting licences of CRHK and Metro for a term of 12 years with effect from 26 August 2016.

Rapid Growth of the Telecommunications Market

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

Thanks to the sustained growth of 4G mobile services, Hong Kong's telecommunications market continued to flourish during the year under review. By March 2016, the number of mobile subscribers was 17 million, among which over 14.6 million were users of third generation (3G)/4G services. Mobile network operators and mobile virtual network operators were offering 4G services at affordable prices. Mobile data services were available at downlink speeds of up to 375 megabits per second (Mbps) using Long Term Evolution (LTE) technology. In March 2016, the monthly mobile data usage further surged to 20 557 Terabytes, representing 1.2 times and 1.6 times the monthly usage over the same period in 2015 and 2014 respectively. The average mobile data usage of each mobile user rose to 1 358 Megabytes per month in March 2016, compared with 1 327 Megabytes in March 2015 and 1 046 Megabytes in March 2014. The increasing popularity of 4G mobile services has further boosted mobile data usage. The Authority will continue to take the necessary measures timely to facilitate the robust development of the mobile services market.

Major Tasks and Challenges in the Coming Year

Looking ahead, on the broadcasting side, processing of free TV licence applications and monitoring of new licensees in rolling out their free TV services continue to be the Authority's major activities in 2016-2017.

On the telecommunications side, the existing assignments of 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 first public consultation on the proposed arrangements for spectrum re-assignment and the related spectrum utilization fee was launched on 3 February 2016 and ended on 18 May 2016. A further round of public consultation will be conducted in early 2017 with a view to finalising the arrangements for spectrum re-assignment by end 2017.

Having considered the submissions from the industry and interested parties received in response to the public consultation conducted between October and December 2015 on more efficient utilisation of the 8-digit numbering plan, the Authority announced its decision in June 2016 on the measures to be adopted to meet the increasing demand for mobile numbers through better utilisation of the 8-digit numbering plan. The Authority will follow up with the operators in respect of the implementation of the necessary changes to their networks and systems to support the opening of the relevant number blocks for allocation to mobile services. The Authority will also closely monitor market developments and the effectiveness of the new measures as and when they are introduced.