



Chapter 2:

# CHAIRMAN'S MESSAGE

*In presenting the 2016/17 report of the Communications Authority (the Authority), I would first like to express my appreciation to my predecessor, Mr Ambrose Ho, for his exemplary leadership over the past five years. When I assumed the post of the Chairman of the Authority on 1 April 2017, there were many tasks already undertaken by the Authority in both the broadcasting and telecommunications sectors. A detailed account of our work in the past year ending 31 March 2017 is given in this report.*

## **A Vibrant Broadcasting Market**

### **Domestic Free Television Programme Services**

There have been exciting changes to the landscape of free television broadcasting sector in 2016/17. Fantastic Television Limited (Fantastic TV) launched its licensed domestic free television programme (free TV) service on 14 May 2017. Together with HK Television Entertainment Company Limited (HKTVE) and Television Broadcasts Limited (TVB), the three licensees are providing a total of eleven digital and analogue channels with a wide variety of programmes.



Regarding new applications for free TV licences, the Authority continued to follow up on the application of Hong Kong Television Network Limited (HKTV) after the Chief Executive in Council (CE in C) decided in September 2016 to give HKTV more time to submit the information required under the Broadcasting Ordinance (Cap.562) (BO). The Authority also processed the applications of Forever Top (Asia) Limited (Forever Top) (received in April 2015) and Phoenix Hong Kong Television Limited (Phoenix HK) (received in May 2016) in 2016/17<sup>1</sup>.

### **Domestic Pay Television Programme Services**

In respect of domestic pay television programme (pay TV) services, Hong Kong viewers continued to enjoy a diversity of local and overseas programmes. As at 31 March 2017, the three pay TV licensees provided a total of 403 pay TV channels, of which 129 were high definition television (HDTV) channels. At the same time, the aggregate number of subscribers of licensed pay TV services stood at over 2.1 million, representing a market penetration of over 85%.

The pay TV licence of HKCTV was due to expire after 31 May 2017. Having regard to the overall assessment of the performance of the licensee and the public views received during the public consultation exercise, the Authority submitted

its recommendations on the licence renewal application to the CE in C in April 2016. On 13 December 2016, the CE in C accepted the Authority's recommendations and renewed HKCTV's pay TV licence for a term of 12 years with effect from 1 June 2017.

### **Indirect Advertising and Sponsorship in Domestic Free Television Programme Services**

The Authority decided in mid-2016 to expedite research into the regulation of indirect advertising and sponsorship in free TV services in overseas jurisdictions and to conduct an opinion survey with the objective of gauging public attitude and views towards the issues concerned. The Authority has completed a lot of such ground work in the past year. We will continue our work in the coming year with a view to coming up with concrete proposals to relax, wherever possible and appropriate, the regulatory regime governing indirect advertising and sponsorship.

### **Rapid Growth of the Telecommunications Market**

Thanks to the sustained growth of fourth generation (4G) mobile services, Hong Kong's telecommunications market continued to flourish during the year under review. By March 2017, the number of mobile subscribers was 17.58 million, among which over 15.99 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 600 megabits per second (Mbps) using Long Term Evolution (LTE) technology. In March 2017, the

<sup>1</sup> The application of Forever Top had been put on hold since April 2017 at the applicant's request. Upon approval of the Authority in September 2017, Forever Top became the major shareholder of i-CABLE Communications Limited (i-CABLE), the major shareholder of Hong Kong Cable Television Limited (HKCTV) and Fantastic TV. Forever Top withdrew its free TV licence application thereafter. Meanwhile, Phoenix HK withdrew its application in August 2017 due to commercial considerations.



monthly mobile data usage further surged to 25 348 Terabytes, representing 1.2 times and 1.5 times the monthly usage over the same period in 2016 and 2015 respectively. The average mobile data usage of each mobile user rose to 1 563 Megabytes per month in March 2017, compared with 1 358 Megabytes in March 2016 and 1 327 Megabytes in March 2015. The increasing popularity of 4G mobile services has further boosted mobile data usage. The Authority will continue to put in place necessary measures to facilitate the robust development of the mobile services market.

## Major Tasks and Challenges in the Coming Year

Looking ahead, on the broadcasting side, our focus in 2017/18 will be to map out the way forward on ways to relax the regulatory regime governing indirect advertising and sponsorship. In addition, we will continue to monitor the new licensees in rolling out their free TV services.

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. Two rounds of public consultation on the approach for re-assignment were conducted. Our target is to finalise the arrangements for spectrum re-assignment by around the end of 2017. In order to meet the huge spectrum demand for the provision of public mobile services, and to better prepare Hong Kong for the launch of the fifth generation (5G) mobile services, the Authority promulgated its work plan in March 2017 for making available additional radio spectrum

for public mobile services towards 2020 and beyond. We will follow up with the necessary work in the coming year.

On the more efficient utilisation of the 8-digit numbering plan, the Authority announced its decision on 24 June 2016 to implement measures in three phases to meet the increasing demand for mobile numbers through better utilisation of the 8-digit numbering plan. Phase 1 was successfully implemented on 1 January 2017. The Authority will continue to work with the industry and the parties concerned and monitor the implementation of the remaining phases. The Authority will also closely monitor the market developments and the effectiveness of the newly implemented measures.

The work that lies ahead will be as challenging as that in 2016/17. I would like to take this opportunity to extend my sincere gratitude to members of the Authority for their insight and commitment throughout the year. I would also like to thank colleagues of the Office of the Communications Authority (OFCA) for their tireless efforts in supporting the Authority. With their dedication, the Authority will continue to strengthen Hong Kong's position as Asia's most attractive and competitive communications hub.