

Head 55 — GOVERNMENT SECRETARIAT: COMMERCE AND ECONOMIC DEVELOPMENT BUREAU (COMMUNICATIONS AND TECHNOLOGY BRANCH)

Controlling officer: the Permanent Secretary for Commerce and Economic Development (Communications and Technology) will account for expenditure under this Head.

Estimate 2015–16 **\$340.4m**

Establishment ceiling 2015–16 (notional annual mid-point salary value) representing an estimated 104 non-directorate posts as at 31 March 2015 rising by seven posts to 111 posts as at 31 March 2016..... **\$57.0m**

In addition, there will be an estimated seven directorate posts as at 31 March 2015 rising by two posts to nine posts as at 31 March 2016.

Commitment balance..... **\$572.3m**

Controlling Officer's Report

Programmes

Programme (1) Broadcasting and Creative Industries	These programmes contribute to Policy Area 17: Information Technology and Broadcasting (Secretary for Commerce and Economic Development).
Programme (2) Telecommunications	

Detail

Programme (1): Broadcasting and Creative Industries

	2013–14 (Actual)	2014–15 (Original)	2014–15 (Revised)	2015–16 (Estimate)
Financial provision (\$m)	281.0	298.0	290.6 (–2.5%)	322.6 (+11.0%)
				(or +8.3% on 2014–15 Original)

Aim

2 The aim is to promote the development of broadcasting and creative industries and enhance Hong Kong's position as a broadcasting and creative capital.

Brief Description

3 The Communications and Technology Branch's main responsibilities under this programme are to formulate policies on broadcasting, control of obscene and indecent articles, film censorship, and to promote the development of the broadcasting and creative industries.

4 The key performance is measured by the extent to which the policy objectives have been achieved and the progress made in implementing the various policy commitments. It is also reflected by the extent to which the executive departments have accomplished their programmes efficiently and cost-effectively.

5 In 2014–15, the Branch:

- monitored the implementation of digital audio broadcasting services by the three sound broadcasting licensees and Radio Television Hong Kong (RTHK);
- monitored the implementation of digital terrestrial television broadcasting services;
- assisted in the licensing and regulatory matters in relation to the domestic free television programme services and domestic pay television programme services;
- offered policy steer and resource support for RTHK for the implementation of various initiatives to fulfil its mission as a public service broadcaster;
- worked with the trade to promote Hong Kong as Asia's creative capital;
- administered, through Create Hong Kong office (CreateHK), the CreateSmart Initiative (CSI), including the Design-Business Collaboration Scheme (DBCS) previously funded by the DesignSmart Initiative (DSI), to provide funding support to non-film related projects conducive to the development of creative industries of Hong Kong;

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- administered, through CreateHK, the Film Development Fund (FDF) and Film Guarantee Fund (FGF) to promote the development of the film industry and finance small to medium budget film productions, and provided support services to facilitate film productions, in particular location filming in Hong Kong; and
- worked closely with the Hong Kong Design Centre to promote the use of design across all sectors in Hong Kong.

Targets

	Target	2013 (Actual)	2014 (Actual)	2015 (Plan)
issuing discharge permits for the use of special effects materials under the Entertainment Special Effects Ordinance (Cap. 560) simple cases, intermediate cases and complicated cases within three, six and 14 working days respectively (%).....	100	100	100	100
issuing conveyance permits under the Entertainment Special Effects Ordinance within one working day (%).....	100	100	100	100
Issuing replies to enquiries relating to locations for film shooting within four working days (%).....	100	100	100	100

Indicators

	2013 (Actual)	2014 (Actual)	2015 (Estimate)
CSI@			
applications received.....	91	127	120
applications approved.....	62	65	64
applications refused.....	18	29	28
DSI§			
applications received.....	23	0	0
applications approved.....	15	0	0
applications refused.....	5	0	0
FDF			
film production projects			
applications received.....	10	4	15
applications approved.....	4	2	8
applications refused.....	6	5	1
other film-related projects			
applications received.....	16	25	25
applications approved.....	10	21	21
applications refused.....	1	1	1
FGF			
applications received.....	0	0	0
applications approved.....	0	0	0
applications refused.....	0	0	0

@ Including the DBCS applications received on or after 24 May 2013 which were previously funded under the DSI.

§ The DSI has migrated to the CSI since 1 June 2011, except for the applications received under the DBCS which have until 23 May 2013 been funded under the DSI. Applications under the DBCS received on or after 24 May 2013 are funded under the CSI.

Matters Requiring Special Attention in 2015–16

6 During 2015–16, the Branch will:

- continue to monitor the implementation of digital audio broadcasting services;
- continue to monitor the implementation of digital terrestrial television broadcasting services;
- continue to assist in the licensing and regulatory matters in relation to domestic free television programme services, domestic pay television programme services and analogue sound broadcasting services;

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- continue to oversee the development plans for RTHK as a public service broadcaster;
- continue to formulate legislative proposals to reform and improve the Control of Obscene and Indecent Articles Ordinance (Cap. 390) regime;
- continue to support the organisation of signature events to promote Hong Kong as Asia's creative capital;
- continue to administer the various funding schemes under CreateHK; and
- review the Broadcasting Ordinance (Cap. 562) together with the Telecommunications Ordinance (Cap. 106).

Programme (2): Telecommunications

	2013–14 (Actual)	2014–15 (Original)	2014–15 (Revised)	2015–16 (Estimate)
Financial provision (\$m)	15.8	16.9	13.9 (–17.8%)	17.8 (+28.1%)
				(or +5.3% on 2014–15 Original)

Aim

7 The aim is to facilitate the development of the telecommunications industry and enhance Hong Kong's position as a telecommunications hub.

Brief Description

8 The Branch's main responsibility under this programme is to formulate telecommunications policies and programmes to facilitate effective competition, enhance consumer choice and promote investments in the development of a competitive, advanced and high bandwidth infrastructure accessible by the consumers through wireline or wireless means. This will enhance Hong Kong's position as a world-class telecommunications centre.

9 In 2014–15, the Branch:

- monitored the effectiveness of the mandatory guidelines and self-regulatory schemes for telecommunications services for safeguarding consumers' interests;
- monitored the performance and the governance of the Customer Complaint Settlement Scheme (CCSS) which was launched by the industry with sponsorship from the Office of the Communications Authority to resolve deadlock billing disputes between telecommunications service providers and their residential/personal customers;
- oversaw the implementation of the interconnection arrangements between telecommunications operators, including the implementation of the new local access charge regime, and the withdrawal of the regulatory guidance for charging principles of interconnection between fixed carriers after the 18-month transitional period ending October 2014;
- introduced legislative amendments for the implementation of the re-assignment arrangements of the frequency spectrum in the 1.9 – 2.2 GHz band currently used for the provision of 3G mobile services upon expiry of the existing assignments in October 2016, and oversaw the auction for the re-assignment of parts of the frequency spectrum in that band;
- oversaw the provision of single point of contact service to facilitate the landing of new submarine cables in Hong Kong;
- monitored the migration of traditional networks to next generation networks by the industry and ensured that the regulatory regime remains updated and appropriate in the next generation network era;
- prepared the legislative amendments to implement a spectrum utilisation fees charging scheme for administratively assigned spectrum with a view to encouraging more efficient use of scarce frequency resources;
- reviewed the conditions of carrier licences issued under the Telecommunications Ordinance;
- monitored the implementation of the legislation in facilitating market competition and fair trading practices of telecommunications licensees;
- monitored the demand of the industry for radio spectrum trading;
- oversaw the utilisation of existing numbering plan for telecommunications services and the arrangements to make available numbering resources to meet consumer demand;
- conducted a survey on person-to-person telemarketing calls; and
- prepared for the review of the Telecommunications Ordinance together with the Broadcasting Ordinance.

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Matters Requiring Special Attention in 2015–16

10 During 2015–16, the key tasks will include:

- continuing to monitor the effectiveness of the mandatory guidelines and self-regulatory schemes for safeguarding consumers' interests;
- continuing to monitor the performance and governance of the industry CCSS and considering the way forward after the trial period ending October 2014;
- continuing to oversee the implementation of the interconnection arrangements between telecommunications operators;
- continuing to work with the Communications Authority (CA) on the re-assignment arrangements, in view of the expiry of the existing arrangements in October 2016, including the smooth changeover of part of the frequency spectrum in the 1.9 – 2.2 GHz band to new assignees acquiring the spectrum through auction;
- working with the CA to prepare for the re-assignment arrangements of the frequency spectrum in the 900 MHz and 1800 MHz bands in view of the expiry of the existing assignments in 2020 and 2021 respectively;
- continuing to facilitate the landing of new submarine cables in Hong Kong;
- continuing to monitor the development of next generation networks and ensuring that the regulatory regime remains updated and appropriate in the next generation network era;
- continuing to prepare the legislative amendments for implementing a spectrum utilisation fees charging scheme for administratively assigned spectrum with a view to encouraging more efficient use of scarce frequency resources;
- analysing the feedback from the consultation exercise on the review of the conditions of carrier licences issued under the Telecommunications Ordinance and if necessary, introducing relevant legislative amendments;
- continuing to monitor the implementation and effectiveness of the legislation in facilitating market competition and the fair trading practices of the telecommunications licensees;
- continuing to monitor the demand of the industry for radio spectrum trading;
- continuing to oversee the utilisation of the numbering plan;
- formulating the way forward with respect to the results of the survey on person-to-person telemarketing calls conducted in 2014–15; and
- reviewing the Telecommunications Ordinance together with the Broadcasting Ordinance.

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ANALYSIS OF FINANCIAL PROVISION

	2013-14 (Actual) (\$m)	2014-15 (Original) (\$m)	2014-15 (Revised) (\$m)	2015-16 (Estimate) (\$m)
Programme				
(1) Broadcasting and Creative Industries.....	281.0	298.0	290.6	322.6
(2) Telecommunications	15.8	16.9	13.9	17.8
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	296.8	314.9	304.5 (-3.3%)	340.4 (+11.8%)
				(or +8.1% on 2014-15 Original)

Analysis of Financial and Staffing Provision

Programme (1)

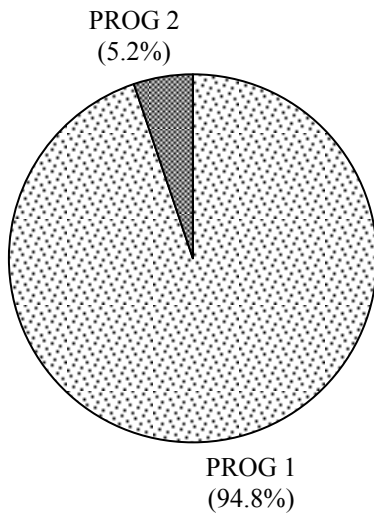
Provision for 2015-16 is \$32.0 million (11.0%) higher than the revised estimate for 2014-15. This is mainly due to the increased cash flow requirement for non-recurrent items, increased provision for general departmental expenses and a net increase of six posts.

Programme (2)

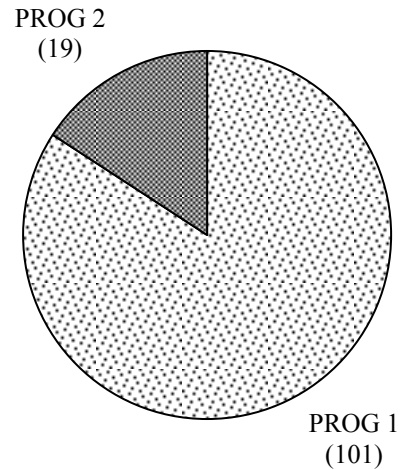
Provision for 2015-16 is \$3.9 million (28.1%) higher than the revised estimate for 2014-15. This is mainly due to the increased requirement for general departmental expenses and an increase of three posts.

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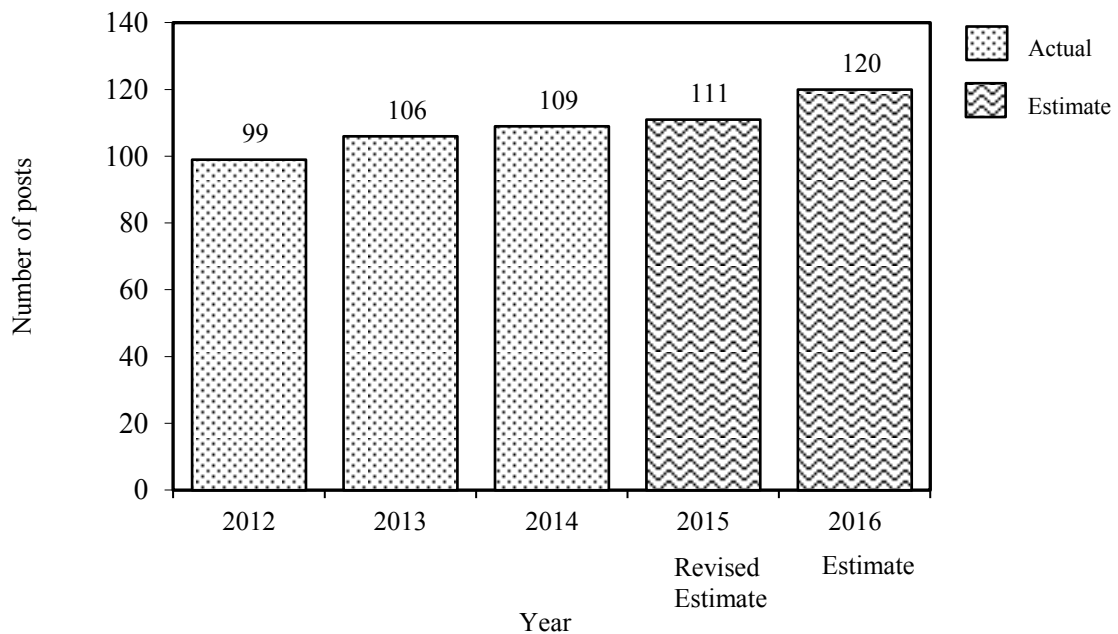
Allocation of provision to programmes (2015-16)



Staff by programme (as at 31 March 2016)



Changes in the size of the establishment (as at 31 March)



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Sub-head (Code)	Actual expenditure 2013–14	Approved estimate 2014–15	Revised estimate 2014–15	Estimate 2015–16	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	135,911	135,075	127,209	142,643
	Total, Recurrent.....	<u>135,911</u>	<u>135,075</u>	<u>127,209</u>	<u>142,643</u>
Non-Recurrent					
700	General non-recurrent	160,910	179,835	177,296	197,756
	Total, Non-Recurrent.....	<u>160,910</u>	<u>179,835</u>	<u>177,296</u>	<u>197,756</u>
	Total, Operating Account	296,821	314,910	304,505	340,399
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	Total Expenditure	<u><u>296,821</u></u>	<u><u>314,910</u></u>	<u><u>304,505</u></u>	<u><u>340,399</u></u>

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Details of Expenditure by Subhead

The estimate of the amount required in 2015–16 for the salaries and expenses of the Communications and Technology Branch is \$340,399,000. This represents an increase of \$35,894,000 over the revised estimate for 2014–15 and of \$43,578,000 over the actual expenditure in 2013–14.

Operating Account

Recurrent

2 Provision of \$142,643,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Communications and Technology Branch. The increase of \$15,434,000 (12.1%) over the revised estimates for 2014–15 is mainly due to the increased departmental expenses and increased salary provision arising from the creation of new posts.

3 The establishment as at 31 March 2015 will be 111 permanent posts. It is expected that there will be a net increase of nine posts including two supernumerary posts in 2015–16. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2015–16, but the notional annual mid-point salary value of all such posts must not exceed \$56,978,000.

4 An analysis of the financial provision under *Subhead 000 Operational expenses* is as follows:

	2013–14 (Actual) (\$'000)	2014–15 (Original) (\$'000)	2014–15 (Revised) (\$'000)	2015–16 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	60,377	70,319	69,406	74,953
- Allowances.....	1,890	1,570	1,261	1,248
- Job-related allowances.....	1	4	2	4
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	229	166	250	221
- Civil Service Provident Fund contribution.....	1,052	1,725	1,472	1,701
Departmental Expenses				
- General departmental expenses	72,362	61,291	54,818	64,516
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	135,911	135,075	127,209	142,643
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Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment \$'000	Accumulated expenditure to 31.3.2014 \$'000	Revised estimated expenditure for 2014–15 \$'000	Balance \$'000
<i>Operating Account</i>						
700	<i>General non-recurrent</i>					
480	Film Development Fund [^]	520,000 [^]	250,744	33,707	235,549
830	Design Incubation Programme	.....	26,250	5,598	1,694	18,958
866	CreateSmart Initiative	.....	600,000	276,132	86,062	237,806
897	Hong Kong Design Centre [^]	250,000 [^]	137,813	32,187	80,000
	Total	.....	<u>1,396,250</u>	<u>670,287</u>	<u>153,650</u>	<u>572,313</u>

[^] Additional funding injection of \$200 million and \$80 million into the Film Development Fund and Hong Kong Design Centre respectively are included in the draft 2015–16 Estimates for consideration by the Legislative Council in the context of the Appropriation Bill.