

**Head 55 — GOVERNMENT SECRETARIAT: COMMERCE AND
ECONOMIC DEVELOPMENT BUREAU (COMMUNICATIONS AND
CREATIVE INDUSTRIES BRANCH)**

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

Estimate 2016–17 **\$414.4m**

Establishment ceiling 2016–17 (notional annual mid-point salary value) representing an estimated 103 non-directorate posts as at 31 March 2016 rising by eight posts to 111 posts as at 31 March 2017 **\$61.2m**

In addition, there will be an estimated seven directorate posts as at 31 March 2016 rising by two posts to nine posts as at 31 March 2017.

Commitment balance..... **\$820.6m**

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

	2014–15 (Actual)	2015–16 (Original)	2015–16 (Revised)#	2016–17 (Estimate)#
Financial provision (\$m)	282.5	322.6	296.1 (–8.2%)	392.3 (+32.5%)
				(or +21.6% on 2015–16 Original)

The figures exclude \$120,000 in 2015–16 and \$280,000 in 2016–17 which have been transferred to Head 135 – Government Secretariat : Innovation and Technology Bureau following the establishment of the Innovation and Technology Bureau on 20 November 2015.

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 Creative Industries Branch’s main responsibilities under this programme are to formulate policies on broadcasting, control of obscene and indecent articles, and 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 2015–16, 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, including those 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;

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- administered, through Create Hong Kong office (CreateHK), the CreateSmart Initiative (CSI), including the Design-Business Collaboration Scheme (DBCS), to provide funding support to non-film related projects conducive to the development of creative industries of Hong Kong;
- administered, through CreateHK, the Film Development Fund (FDF) 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 and, through the Design Incubation Programme, to provide incubate services to design start-ups.

Targets

	Target	2014 (Actual)	2015 (Actual)	2016 (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

	2014 (Actual)	2015 (Actual)	2016 (Estimate)
CSI@			
applications received.....	127	162	84
applications approved.....	65	67	84
applications refused.....	29	30	47
FDF			
film production projects			
applications received.....	4	12	27
applications approved.....	2	3	15
applications refused.....	5	0	13
other film-related projects			
applications received.....	25	24	24
applications approved.....	21	24	24
applications refused.....	1	2	1
Film Guarantee Fund (FGF)Ω			
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. The DBCS no longer accepts applications with effect from 1 January 2016.

Ω The FGF has ceased operation since 1 July 2015.

Matters Requiring Special Attention in 2016–17

6 During 2016–17, the Branch will:

- continue to monitor and to review 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;
- launch measures to promote the development of the fashion design industry; and
- review the Broadcasting Ordinance (Cap. 562) and the Telecommunications Ordinance (Cap. 106).

Programme (2): Telecommunications

	2014–15 (Actual)	2015–16 (Original)	2015–16 (Revised)‡	2016–17 (Estimate)‡
Financial provision (\$m)	12.8	17.8	15.1 (–15.2%)	22.1 (+46.4%)
				(or +24.2% on 2015–16 Original)

‡ The figures exclude \$40,000 in 2015–16 and \$100,000 in 2016–17 which have been transferred to Head 135 – Government Secretariat : Innovation and Technology Bureau following the establishment of the Innovation and Technology Bureau on 20 November 2015.

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 2015–16, 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) and the Office of the Communications Authority’s review of the Scheme’s operation in consultation with the industry upon the end of the trial period in October 2014;
- oversaw the implementation of the interconnection arrangements between telecommunications operators;
- worked with the Communications Authority (CA) on the re-assignment arrangements for the frequency spectrum in the 1.9 – 2.2 GHz band in view of the expiry of the existing arrangements in October 2016, including ensuring the smooth changeover of part of the frequency spectrum in the band to new assignees acquiring the spectrum through auction;
- worked with the CA to prepare for the re-assignment arrangements for the frequency spectrum in the 900 MHz and 1800 MHz bands in view of the expiry of the existing assignments in the period between November 2020 and September 2021;
- 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;
- analysed the feedback from the consultation exercise on the review of the conditions of carrier licences issued under the Telecommunications Ordinance and prepared the relevant legislative amendments;

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- monitored the implementation and effectiveness of the legislation in facilitating market competition and the fair trading practices of telecommunications licensees in particular with the full commencement of the Competition Ordinance (Cap. 619);
- monitored the demand of the industry for radio spectrum trading;
- oversaw the conduct of a public consultation on more efficient utilisation of the existing eight-digit numbering plan for telecommunications services in order to make available numbering resources to meet mobile service demand;
- analysed the results of the survey on person-to-person telemarketing calls and formulated the way forward; and
- prepared for the review of the Telecommunications Ordinance and the Broadcasting Ordinance.

Matters Requiring Special Attention in 2016–17

10 During 2016–17, 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 long-term implementation of the CCSS commenced on 1 May 2015;
- continuing to oversee the implementation of the interconnection arrangements between telecommunications operators;
- continuing to work with the CA on the re-assignment of the frequency spectrum in the 1.9 – 2.2 GHz band upon expiry of the existing arrangements in October 2016, including ensuring the smooth changeover of part of the frequency spectrum in the GHz band to new assignees acquiring the spectrum through auction;
- continuing to work 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 the period between November 2020 and September 2021;
- 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;
- continuing to implement the relevant legislative amendments to the general conditions of carrier licences issued under the Telecommunications Ordinance;
- 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 efficient utilisation of the numbering plan;
- continuing to implement the way forward on person-to-person telemarketing calls; and
- reviewing the Telecommunications Ordinance and the Broadcasting Ordinance.

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ANALYSIS OF FINANCIAL PROVISION

	2014–15 (Actual) (\$m)	2015–16 (Original) (\$m)	2015–16 (Revised) (\$m)	2016–17 (Estimate) (\$m)
Programme				
(1) Broadcasting and Creative Industries.....	282.5	322.6	296.1	392.3
(2) Telecommunications	12.8	17.8	15.1	22.1
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	295.3	340.4	311.2 (–8.6%)	414.4 (+33.2%)
				(or +21.7% on 2015–16 Original)

Analysis of Financial and Staffing Provision

Programme (1)

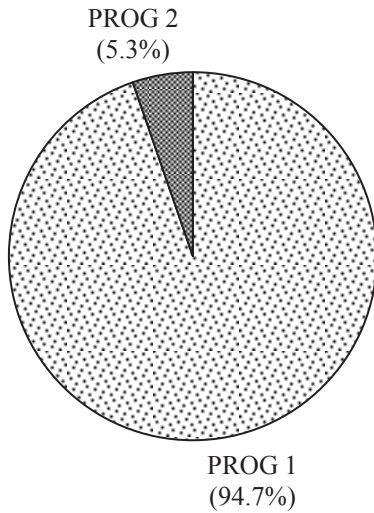
Provision for 2016–17 is \$96.2 million (32.5%) higher than the revised estimate for 2015–16. This is mainly due to the increase in cash flow requirement for general non-recurrent items, increased provision for general departmental expenses and a net increase of six posts.

Programme (2)

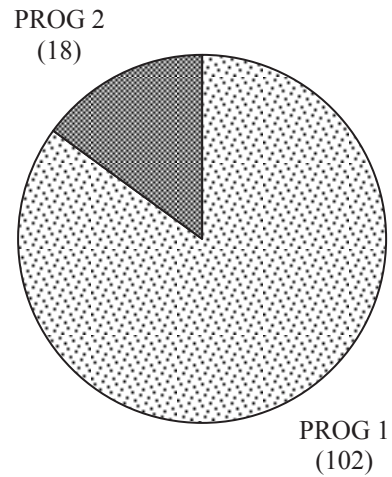
Provision for 2016–17 is \$7.0 million (46.4%) higher than the revised estimate for 2015–16. This is mainly due to the increased requirement for general departmental expenses and increase of four posts.

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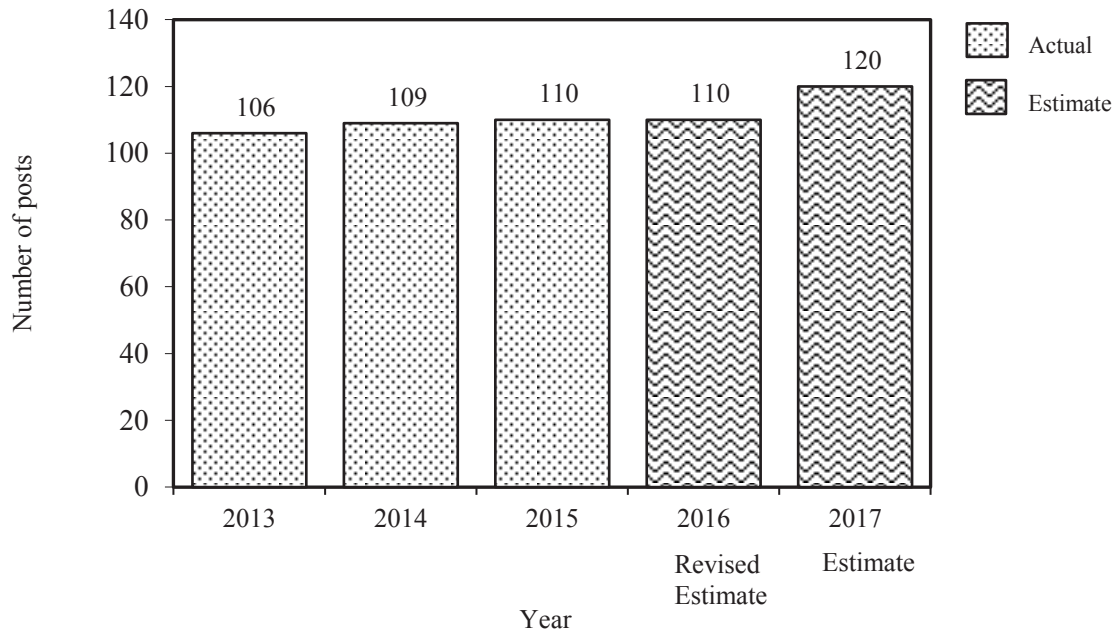
*Allocation of provision
to programmes
(2016-17)*



*Staff by programme
(as at 31 March 2017)*



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



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Sub-head (Code)	Actual expenditure 2014–15	Approved estimate 2015–16	Revised estimate 2015–16	Estimate 2016–17	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	119,743	142,643	137,566	177,690
	Total, Recurrent.....	119,743	142,643	137,566	177,690
Non-Recurrent					
700	General non-recurrent	175,566	197,756	173,638	236,679
	Total, Non-Recurrent.....	175,566	197,756	173,638	236,679
	Total, Operating Account	295,309	340,399	311,204	414,369

	Total Expenditure	295,309	340,399	311,204	414,369
		<u>295,309</u>	<u>340,399</u>	<u>311,204</u>	<u>414,369</u>

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Details of Expenditure by Subhead

The estimate of the amount required in 2016–17 for the salaries and expenses of the Communications and Creative Industries Branch is \$414,369,000. This represents an increase of \$103,165,000 over the revised estimate for 2015–16 and \$119,060,000 over the actual expenditure in 2014–15.

Operating Account

Recurrent

2 Provision of \$177,690,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Communications and Creative Industries Branch. The increase of \$40,124,000 (29.2%) over the revised estimates for 2015–16 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 2016 will be 110 posts. It is expected that there will be a net increase of ten posts including two supernumerary posts in 2016–17. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2016–17, but the notional annual mid-point salary value of all such posts must not exceed \$61,170,000.

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

	2014–15 (Actual) (\$'000)	2015–16 (Original) (\$'000)	2015–16 (Revised) (\$'000)	2016–17 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	67,971	74,953	74,609	81,964
- Allowances.....	1,233	1,248	1,195	1,289
- Job-related allowances.....	—	4	2	4
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	248	221	296	267
- Civil Service Provident Fund contribution.....	1,469	1,701	1,669	1,919
Departmental Expenses				
- General departmental expenses	48,822	64,516	59,795	92,247
	119,743	142,643	137,566	177,690

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Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2015	Revised estimated expenditure for 2015–16	Balance
			\$'000	\$'000	\$'000	\$'000
<i>Operating Account</i>						
700	<i>General non-recurrent</i>					
	480	Film Development Fund.....	520,000	281,677	31,708	206,615
	830	Design Incubation Programme.....	26,250	7,292	6,536	12,422
	866	CreateSmart Initiative¶.....	1,000,000¶	363,413	112,766	523,821
	897	Hong Kong Design Centre#.....	268,600#	170,000	20,868	77,732
		Total	1,814,850	822,382	171,878	820,590

¶ The original commitment for the item, as approved in 2013–14, is \$600,000,000. An increase in commitment is sought in the context of the Appropriation Bill 2016.

The original commitment for the item, as approved in 2015–16, is \$250,000,000. An increase in commitment is sought in the context of the Appropriation Bill 2016.