

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

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

|   |                 |
|---|-----------------|
| <b>Estimate 2013–14</b> .....   | <b>\$326.0m</b> |
| <b>Establishment ceiling 2013–14</b> (notional annual mid-point salary value) representing an estimated 100 non-directorate posts as at 31 March 2013 rising by two posts to 102 posts as at 31 March 2014..... | <b>\$46.9m</b>  |
| In addition, there will be an estimated six directorate posts as at 31 March 2013 rising by one post to seven posts as at 31 March 2014.  |                 |
| <b>Commitment balance</b> .....   | <b>\$306.9m</b> |

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**Controlling Officer's Report**

**Programmes**

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

**Detail**

**Programme (1): Broadcasting and Creative Industries**

|                           | 2011–12<br>(Actual) | 2012–13<br>(Original) | 2012–13<br>(Revised) | <b>2013–14<br/>(Estimate)</b>     |
|---------------------------|---------------------|-----------------------|----------------------|-----------------------------------|
| Financial provision (\$m) | 231.0               | 282.0                 | 318.5<br>(+12.9%)    | <b>307.6</b><br>(–3.4%)           |
|                           |                     |                       |                      | (or +9.1% on<br>2012–13 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 2012–13, the Branch:

- oversaw the formal launch of digital audio broadcasting services by three sound broadcasting licensees and Radio Television Hong Kong (RTHK);
- oversaw the launch of broadcast-type mobile television services;
- monitored the implementation of digital terrestrial television broadcasting services;
- assisted in the processing of three applications for domestic free television programme service licences;
- assisted in the processing of the application for renewal of a domestic pay television programme service licence;
- offered policy steer and resource support for RTHK for the implementation of various initiatives to fulfill its mission as a public service broadcaster;
- completed the second round public consultation on the review of the Control of Obscene and Indecent Articles Ordinance (Cap. 390) (COIAO);
- continued to consolidate Hong Kong's position in creativity in the region and promote Hong Kong as Asia's creative capital;

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- administered, through Create Hong Kong office (CreateHK), the CreateSmart Initiative (CSI), and the DesignSmart Initiative (DSI) 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) 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 | 2011<br>(Actual) | 2012<br>(Actual) | 2013<br>(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**

|   | 2011<br>(Actual) | 2012<br>(Actual) | 2013<br>(Estimate) |
|---|------------------|------------------|--------------------|
| CSI   |                  |                  |                    |
| applications received and processed .....   | 79               | 87               | 90                 |
| projects funded and being monitored .....   | 48               | 72               | 86                 |
| DSI   |                  |                  |                    |
| applications received and processed .....   | 86               | 52§              | 52§                |
| projects funded and being monitored .....   | 117              | 61§              | 47§                |
| FDF   |                  |                  |                    |
| applications for financing film production received and processed .....           | 12               | 18               | 18                 |
| applications for funding other film-related projects received and processed ..... | 14               | 15               | 15                 |
| film production projects funded and being monitored ....                          | 22               | 32               | 32                 |
| other film-related projects funded and being monitored .....                      | 39               | 35               | 35                 |
| FGF   |                  |                  |                    |
| applications received and processed .....   | 0                | 0                | 1                  |
| projects funded and being monitored .....   | 1                | 1                | 2                  |

§ Except for the funding committed for the Design-Business Collaboration Scheme (DBCS), Design Incubation Programme and other engaging projects, the DSI has migrated to the CSI since 1 June 2011. New design-related projects can apply for funding under the CSI while the DBCS continues to run with residual DSI funding.

**Matters Requiring Special Attention in 2013–14**

- 6 During 2013–14, the Branch will continue to:
- monitor the implementation of digital audio broadcasting services;
  - monitor the implementation of digital terrestrial television broadcasting services;
  - assist in the processing of three applications for domestic free television programme service licences;
  - oversee the development plans for RTHK as a public service broadcaster;

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- seek ways to ensure that the COIAO regime adequately serves the needs of the community;
- support the organisation of signature events to promote Hong Kong as Asia's creative capital; and
- administer the various funding schemes under CreateHK.

### **Programme (2): Telecommunications**

|                           | 2011–12<br>(Actual) | 2012–13<br>(Original) | 2012–13<br>(Revised) | <b>2013–14<br/>(Estimate)</b>      |
|---------------------------|---------------------|-----------------------|----------------------|------------------------------------|
| Financial provision (\$m) | 15.7                | 16.2                  | 17.2<br>(+6.2%)      | <b>18.4</b><br>(+7.0%)             |
|                           |                     |                       |                      | (or +13.6% on<br>2012–13 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 2012–13, the Branch:

- completed the establishment of the Communications Authority and the Office of the Communications Authority;
- monitored the effectiveness of self-regulatory schemes for telecommunications services for safeguarding consumers' interests;
- collaborated with the telecommunications industry to set up an independent body under the Communications Association of Hong Kong to manage and operate the industry Customer Complaint Settlement Scheme (CCSS) to resolve deadlock billing disputes between telecommunications service providers and their customers for a two-year trial period commencing from November 2012;
- monitored the compliance of the guidelines on the implementation of fair usage policy for the provision of fixed and mobile broadband services by telecommunications service operators;
- monitored the convergence of fixed and mobile communications services in the industry;
- monitored the developments in the industry during the transitional period for the implementation of the new regulatory regime on local access charge for the interconnection between local fixed and mobile network operators and external telecommunications service providers;
- consulted the industry on the review of regulatory guidance for charging principles of interconnection between fixed carriers;
- consulted the industry and other interested parties twice on the arrangements for the frequency spectrum in the 1.9 – 2.2 GHz band upon expiry of the existing assignments for 3G mobile services in October 2016;
- completed the public consultation and conducted the auction on assignment of 50 MHz of radio spectrum in the 2.5 – 2.6 GHz bands for the further development of 4G public mobile communications services;
- reduced the licence fees for customer connections and mobile stations under telecommunications licences;
- provided singlepoint of contact service to facilitate the landing of new submarine cables in Hong Kong; and
- completed the consultancy study on the implications of the development of next generation networks on the telecommunications regulatory framework.

#### ***Matters Requiring Special Attention in 2013–14***

10 During 2013–14, the key tasks will include:

- continuing to monitor the effectiveness of self-regulatory schemes for safeguarding consumers' interests;
- monitoring the effectiveness of the industry CCSS during the 2-year trial period commencing from November 2012;

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- continuing to assist the industry in resolving interconnection problems in relation to the convergence of fixed and mobile communications services;
- continuing to monitor the transition to the new regulatory regime on local access charge to ensure that a fair and competitive market for external telecommunications services is maintained;
- mapping out the way forward on whether regulatory guidance for charging principles of interconnection between fixed carriers should be maintained;
- mapping out the way forward on the arrangements for the frequency spectrum in the 1.9 – 2.2 GHz band upon expiry of the existing assignments for 3G mobile services in October 2016;
- following up on the licensing and rollout of 4G public mobile communications services using the spectrum released through auction in the 2.5/2.6 GHz bands of spectrum in March 2013;
- 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 monitor the demand of the industry for radio spectrum trading;
- continuing to facilitate the landing of new submarine cables in Hong Kong; and
- continuing to monitor the migration of traditional networks to next generation networks by the industry and ensure that the regulatory regime remains updated and appropriate in the next generation network era.

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**ANALYSIS OF FINANCIAL PROVISION**

| <b>Programme</b>                               | 2011-12<br>(Actual)<br>(\$m) | 2012-13<br>(Original)<br>(\$m) | 2012-13<br>(Revised)<br>(\$m) | 2013-14<br>(Estimate)<br>(\$m)            |
|--|------------------------------|--------------------------------|-------------------------------|---|
| (1) Broadcasting and Creative Industries ..... | 231.0                        | 282.0                          | 318.5                         | <b>307.6</b>                              |
| (2) Telecommunications .....                   | 15.7                         | 16.2                           | 17.2                          | <b>18.4</b>                               |
|  | 246.7                        | 298.2                          | 335.7<br>(+12.6%)             | <b>326.0</b><br>(-2.9%)                   |
|  |                              |                                |                               | <b>(or +9.3% on<br/>2012-13 Original)</b> |

**Analysis of Financial and Staffing Provision**

**Programme (1)**

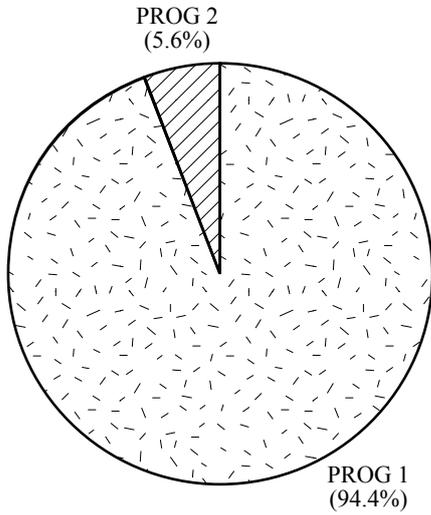
Provision for 2013-14 is \$10.9 million (3.4%) lower than the revised estimate for 2012-13. This is mainly due to the decreased requirement for general departmental expenses, partly offset by the increase of three posts.

**Programme (2)**

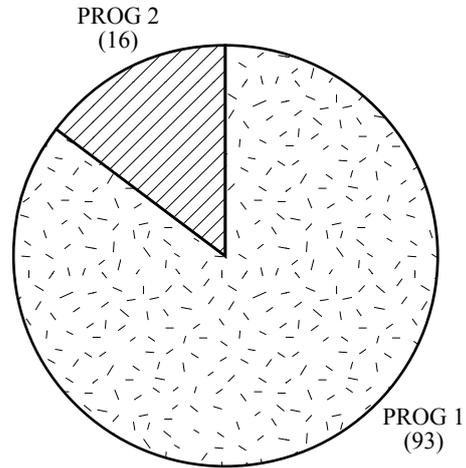
Provision for 2013-14 is \$1.2 million (7.0%) higher than the revised estimate for 2012-13. This is mainly due to the increased provision for the Telecommunications (Competition Provisions) Appeal Board.

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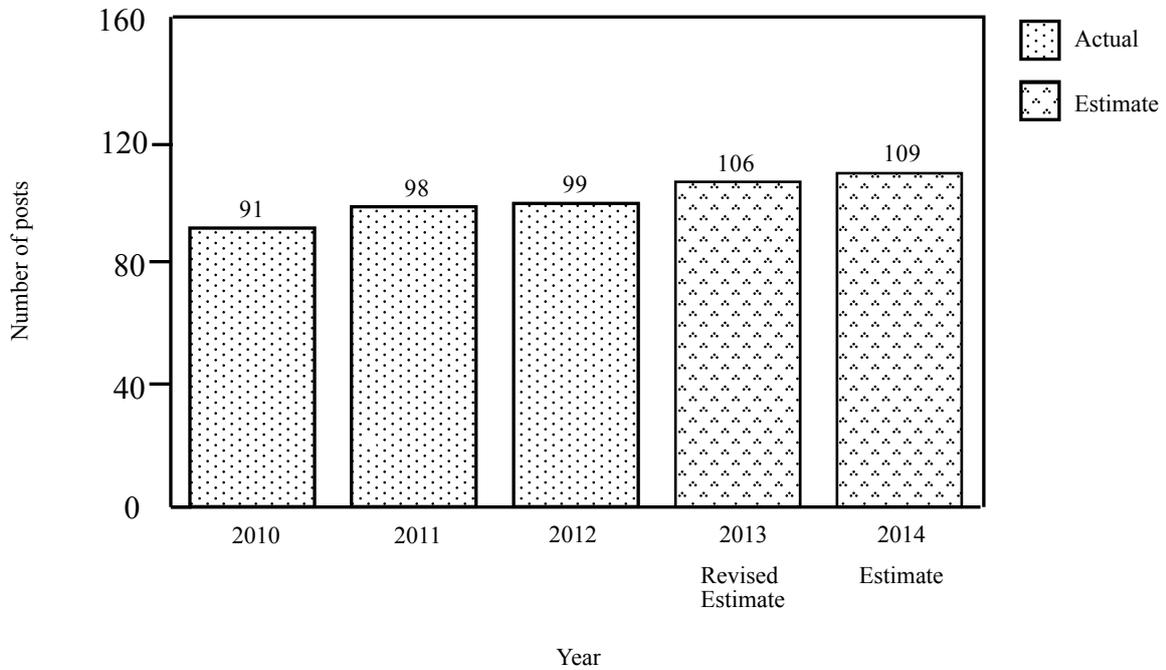
*Allocation of provision to programmes (2013-14)*



*Staff by programme (as at 31 March 2014)*



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



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| Sub-head<br>(Code)       | Actual<br>expenditure<br>2011–12 | Approved<br>estimate<br>2012–13 | Revised<br>estimate<br>2012–13 | <b>Estimate<br/>2013–14</b> |                              |
|--------------------------|----------------------------------|---------------------------------|--------------------------------|-----------------------------|------------------------------|
|                          | \$'000                           | \$'000                          | \$'000                         | \$'000                      |                              |
| <b>Operating Account</b> |                                  |                                 |                                |                             |                              |
| Recurrent                |                                  |                                 |                                |                             |                              |
| 000                      | Operational expenses .....       | 109,206                         | 151,708                        | 148,868                     | <b>140,490</b>               |
|                          | Total, Recurrent .....           | <u>109,206</u>                  | <u>151,708</u>                 | <u>148,868</u>              | <u><b>140,490</b></u>        |
| Non-Recurrent            |                                  |                                 |                                |                             |                              |
| 700                      | General non-recurrent .....      | 137,547                         | 146,506                        | 186,803                     | <b>185,541</b>               |
|                          | Total, Non-Recurrent .....       | <u>137,547</u>                  | <u>146,506</u>                 | <u>186,803</u>              | <u><b>185,541</b></u>        |
|                          | Total, Operating Account.....    | <u>246,753</u>                  | <u>298,214</u>                 | <u>335,671</u>              | <u><b>326,031</b></u>        |
| <hr/>                    |                                  |                                 |                                |                             |                              |
|                          | Total Expenditure .....          | <u><u>246,753</u></u>           | <u><u>298,214</u></u>          | <u><u>335,671</u></u>       | <u><u><b>326,031</b></u></u> |

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### Details of Expenditure by Subhead

The estimate of the amount required in 2013–14 for the salaries and expenses of the Communications and Technology Branch is \$326,031,000. This represents a decrease of \$9,640,000 against the revised estimate for 2012–13 and an increase of \$79,278,000 over the actual expenditure in 2011–12.

#### Operating Account

##### Recurrent

2 Provision of \$140,490,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Communications and Technology Branch.

3 The establishment as at 31 March 2013 will be 106 permanent posts. It is expected that there will be an increase of three posts in 2013–14. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2013–14, but the notional annual mid-point salary value of all such posts must not exceed \$46,872,000.

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

|   | 2011–12<br>(Actual)<br>(\$'000) | 2012–13<br>(Original)<br>(\$'000) | 2012–13<br>(Revised)<br>(\$'000) | <b>2013–14<br/>(Estimate)<br/>(\$'000)</b> |
|---|---------------------------------|-----------------------------------|----------------------------------|--|
| Personal Emoluments                               |                                 |                                   |                                  |  |
| - Salaries .....                                  | 51,359                          | 55,714                            | 55,226                           | <b>59,898</b>                              |
| - Allowances .....                                | 1,619                           | 1,783                             | 2,312                            | <b>1,912</b>                               |
| - Job-related allowances.....                     | —                               | 4                                 | 2                                | <b>4</b>                                   |
| Personnel Related Expenses                        |                                 |                                   |                                  |  |
| - Mandatory Provident Fund contribution .....     | 187                             | 163                               | 249                              | <b>152</b>                                 |
| - Civil Service Provident Fund contribution ..... | 656                             | 881                               | 870                              | <b>1,441</b>                               |
| Departmental Expenses                             |                                 |                                   |                                  |  |
| - General departmental expenses .....             | 55,385                          | 93,163                            | 90,209                           | <b>77,083</b>                              |
|   | 109,206                         | 151,708                           | 148,868                          | <b>140,490</b>                             |

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**Commitments**

| Sub-<br>head<br>(Code)          | Item<br>(Code)   | Ambit | Approved<br>commitment | Accumulated<br>expenditure<br>to 31.3.2012 | Revised<br>estimated<br>expenditure<br>for 2012–13 | Balance        |
|---------------------------------|--|-------|------------------------|--|--|----------------|
|                                 |  |       | \$'000                 | \$'000                                     | \$'000   | \$'000         |
| <b><i>Operating Account</i></b> |  |       |                        |  |  |                |
| 700                             | <i>General non-recurrent</i>                                       |       |                        |  |  |                |
| 438                             | DesignSmart Initiative .....                                       |       | 250,000                | 213,839                                    | 15,265   | 20,896         |
| 480                             | Film Development Fund .....  |       | 320,000                | 176,384                                    | 41,297   | 102,319        |
| 829                             | Business of Design Week and Hong<br>Kong Design Centre Awards..... |       | 37,500                 | —  | 13,024   | 24,476         |
| 830                             | Design Incubation Programme .....                                  |       | 26,250                 | —  | 5,884  | 20,366         |
| 866                             | CreateSmart Initiative .....                                       |       | 300,000                | 122,793                                    | 84,255   | 92,952         |
| 897                             | Hong Kong Design Centre.....                                       |       | 170,000                | 97,000                                     | 27,078   | 45,922         |
|                                 | Total .....  |       | <u>1,103,750</u>       | <u>610,016</u>                             | <u>186,803</u>                                     | <u>306,931</u> |