

**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 2018–19 **\$526.4m**

Establishment ceiling 2018–19 (notional annual mid-point salary value) representing an estimated 112 non-directorate posts as at 31 March 2018 and as at 31 March 2019..... **\$66.0m**

In addition, there will be an estimated nine directorate posts as at 31 March 2018 and as at 31 March 2019.

Commitment balance..... **\$1,418.9m**

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

| | 2016–17 (Actual) | 2017–18 (Original) | 2017–18 (Revised) | 2018–19 (Estimate) |
|---------------------------|---------------------|-----------------------|----------------------|------------------------------------|
| Financial provision (\$m) | 352.0 | 384.6 | 352.4 (–8.4%) | 497.3 (+41.1%) |
| | | | | (or +29.3% on 2017–18 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 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 2017–18, the Branch:

- monitored the implementation of digital terrestrial television (DTT) broadcasting services;
- assisted in the licensing and regulatory matters in relation to the domestic free television programme services, domestic pay television programme services and analogue sound broadcasting services;
- continued to oversee the on-going implementation of various initiatives by Radio Television Hong Kong (RTHK) in fulfilment of its mission as a public service broadcaster;
- continued to formulate legislative proposals to reform and improve the Control of Obscene and Indecent Articles Ordinance (Cap. 390) (COIAO) regime;
- worked with the trade to promote Hong Kong as Asia’s creative capital;
- continued to implement measures to promote the development of the fashion design industry;
- administered, through Create Hong Kong office (CreateHK), the CreateSmart Initiative (CSI) 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) to promote the development of the film industry and to finance small to medium budget film productions for commercial release, and provided support services to facilitate film productions, in particular location filming in Hong Kong;
- commenced a review of the operation of the FDF with a view to driving further development of the local film industry;
- worked closely with the Hong Kong Design Centre to promote the use of design across all sectors in Hong Kong and to provide incubation services to design start-ups and up-and-coming design talents through the Design Incubation Programme and Fashion Incubation Programme;
- organised or sponsored events to celebrate the 20th Anniversary of the Establishment of the Hong Kong Special Administrative Region and to showcase the strengths and achievements of Hong Kong's creative industries; and
- started to conduct a comprehensive review of the Broadcasting Ordinance (Cap. 562) and the Telecommunications Ordinance (Cap. 106).

Targets

| | Target | 2016 (Actual) | 2017 (Actual) | 2018 (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

| | 2016 (Actual) | 2017 (Actual) | 2018 (Estimate) |
|-----------------------------|------------------|------------------|--------------------|
| CSI | | | |
| applications received..... | 82 | 71 | 75 |
| applications approved..... | 51@ | 52 | 52 |
| applications refused..... | 60@ | 17 | 16 |
| FDF | | | |
| film production projects | | | |
| applications received..... | 13 | 18 | 6 |
| applications approved..... | 4 | 8 | 5 |
| applications refused..... | 13 | 10 | 5 |
| other film-related projects | | | |
| applications received..... | 27 | 18 | 22 |
| applications approved..... | 15 | 21 | 21 |
| applications refused..... | 0 | 1 | 1 |

@ Including the Design-Business Collaboration Scheme (DBCS) applications, approved and refused. The DBCS no longer accepts applications with effect from 1 January 2016.

Matters Requiring Special Attention in 2018–19

6 During 2018–19, the Branch will:

- continue to monitor the implementation of DTT broadcasting services and complete the review of the working target for switching off analogue television services in Hong Kong;
- 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 on-going implementation of various initiatives by RTHK in fulfilment of its mission as a public service broadcaster;
- continue to formulate legislative proposals to reform and improve the COIAO regime;
- continue to support the organisation of signature events through the CSI to promote Hong Kong as Asia’s creative capital;
- work with relevant departments to include design thinking in civil service training programmes and to promote application of design thinking in public service delivery;
- inject \$1 billion into the CSI to further promote the development of creative industries with emphasis on nurturing young talents;
- liaise more closely with other design cities in the Mainland and overseas; and make use of opportunities under the Belt and Road Initiative and pursuant to the development of the Guangdong-Hong Kong-Macao Bay Area, thereby opening up new markets for Hong Kong;
- continue the review of the operation of the FDF with a view to driving the further development of the local film industry; and
- continue to conduct the comprehensive review of the Broadcasting Ordinance and the Telecommunications Ordinance.

Programme (2): Telecommunications

| | 2016–17 (Actual) | 2017–18 (Original) | 2017–18 (Revised) | 2018–19 (Estimate) |
|---------------------------|---------------------|-----------------------|----------------------|------------------------------------|
| Financial provision (\$m) | 15.0 | 24.8 | 20.2 (–18.5%) | 29.1 (+44.1%) |
| | | | | (or +17.3% on 2017–18 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 2017–18, the Branch:

- worked with the Communications Authority (CA) to prepare for the promulgation of decisions on the re-assignment arrangements for the 198.6 MHz of frequency spectrum in the 900 MHz and 1800 MHz bands and related spectrum utilisation fee (SUF) in view of the expiry of the existing assignments in the period between November 2020 and September 2021;
- monitored the developments of the telecommunications industry, including the commercial launch of the fifth generation (5G) mobile telecommunications services and the demand for and supply of telecommunications infrastructure capacity, and ensured that the regulatory framework remained up-to-date and appropriate;
- implemented a charging scheme for spectrum assigned administratively with a view to encouraging more efficient use of the scarce public resource;
- monitored the effectiveness of measures for safeguarding consumers’ interests;
- monitored the implementation and effectiveness of the legislation in facilitating market competition and the fair trading practices of telecommunications and broadcasting licensees;
- conducted a public consultation on strengthening the regulation of person-to-person telemarketing calls with a view to formulating a regulatory regime that would be effective and suitable for Hong Kong; and
- prepared for the conduct of a comprehensive review of the Telecommunications Ordinance.

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Matters Requiring Special Attention in 2018–19

10 During 2018–19, the Branch will:

- prepare for the introduction of a subsidy scheme to encourage the extension of optical fibre networks to villages in rural and remote areas so as to further enhance the higher speed fixed broadband network coverage;
- work with the CA to implement the decisions on the re-assignment arrangements of 198.6 MHz of the frequency spectrum in the 900 MHz and 1800 MHz bands and related SUF in view of the expiry of the existing assignments in the period between November 2020 and September 2021;
- continue to monitor the developments of the telecommunications industry, including the commercial launch of the 5G mobile telecommunications services and the demand for and supply of telecommunications infrastructure capacity, and ensure that the regulatory framework remains up-to-date and appropriate;
- continue to monitor the effectiveness of measures for safeguarding consumers' interests;
- continue to monitor the implementation and effectiveness of the legislation in facilitating market competition and the fair trading practices of the telecommunications and broadcasting licensees;
- formulate a regulatory regime on person-to-person telemarketing calls that is effective and suitable for Hong Kong; and
- conduct a comprehensive review of the Telecommunications Ordinance.

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ANALYSIS OF FINANCIAL PROVISION

| | 2016–17 (Actual) (\$m) | 2017–18 (Original) (\$m) | 2017–18 (Revised) (\$m) | 2018–19 (Estimate) (\$m) |
|---|------------------------------|--------------------------------|-------------------------------|--|
| Programme | | | | |
| (1) Broadcasting and Creative Industries..... | 352.0 | 384.6 | 352.4 | 497.3 |
| (2) Telecommunications | 15.0 | 24.8 | 20.2 | 29.1 |
| | ----- | ----- | ----- | ----- |
| | 367.0 | 409.4 | 372.6 (-9.0%) | 526.4 (+41.3%) |
| | | | | (or +28.6% on 2017–18 Original) |

Analysis of Financial and Staffing Provision

Programme (1)

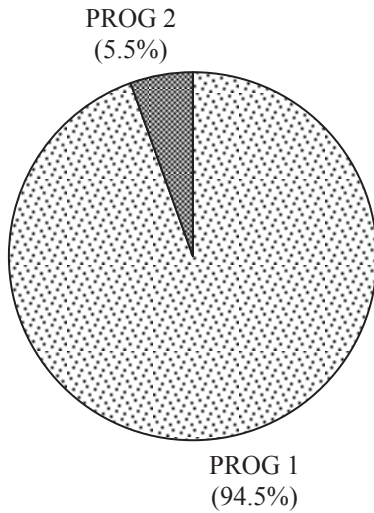
Provision for 2018–19 is \$144.9 million (41.1%) higher than the revised estimate for 2017–18. This is mainly due to increase in cash flow requirement for general non-recurrent items and increased provision for general departmental expenses.

Programme (2)

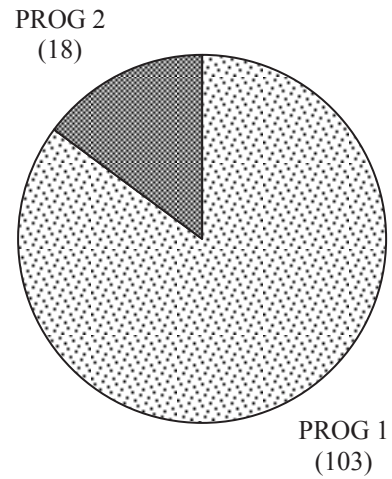
Provision for 2018–19 is \$8.9 million (44.1%) higher than the revised estimate for 2017–18. This is mainly due to the increased requirement for general departmental expenses.

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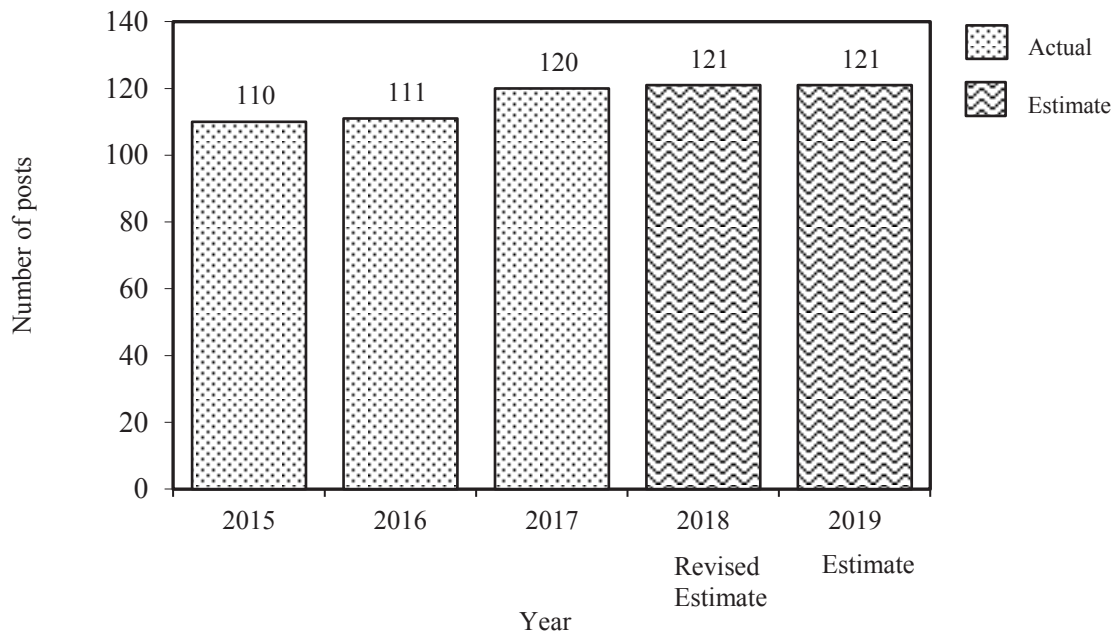
*Allocation of provision
to programmes
(2018-19)*



*Staff by programme
(as at 31 March 2019)*



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



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| Sub-head (Code) | Actual expenditure 2016-17 | Approved estimate 2017-18 | Revised estimate 2017-18 | Estimate 2018-19 | |
|--------------------------|----------------------------------|---------------------------------|--------------------------------|-----------------------------|-----------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | |
| Operating Account | | | | | |
| Recurrent | | | | | |
| 000 | Operational expenses | 143,441 | 163,655 | 157,142 | 172,264 |
| | Total, Recurrent..... | 143,441 | 163,655 | 157,142 | 172,264 |
| Non-Recurrent | | | | | |
| 700 | General non-recurrent | 223,581 | 245,714 | 215,489 | 354,166 |
| | Total, Non-Recurrent..... | 223,581 | 245,714 | 215,489 | 354,166 |
| | Total, Operating Account | 367,022 | 409,369 | 372,631 | 526,430 |
| ----- | | | | | |
| | Total Expenditure | 367,022 | 409,369 | 372,631 | 526,430 |
| | | <u>367,022</u> | <u>409,369</u> | <u>372,631</u> | <u>526,430</u> |

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Details of Expenditure by Subhead

The estimate of the amount required in 2018–19 for the salaries and expenses of the Communications and Creative Industries Branch is \$526,430,000. This represents an increase of \$153,799,000 over the revised estimate for 2017–18 and \$159,408,000 over the actual expenditure in 2016–17.

Operating Account

Recurrent

2 Provision of \$172,264,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Communications and Creative Industries Branch.

3 The establishment as at 31 March 2018 will be 121 posts including two supernumerary posts. No change in establishment is expected in 2018–19. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2018–19, but the notional annual mid-point salary value of all such posts must not exceed \$65,959,000.

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

| | 2016–17 (Actual) (\$'000) | 2017–18 (Original) (\$'000) | 2017–18 (Revised) (\$'000) | 2018–19 (Estimate) (\$'000) |
|---|---------------------------------|-----------------------------------|----------------------------------|--|
| Personal Emoluments | | | | |
| - Salaries..... | 78,460 | 84,016 | 83,727 | 84,962 |
| - Allowances..... | 1,972 | 2,083 | 3,244 | 3,312 |
| - Job-related allowances..... | — | 4 | 2 | 4 |
| Personnel Related Expenses | | | | |
| - Mandatory Provident Fund contribution..... | 334 | 281 | 304 | 253 |
| - Civil Service Provident Fund contribution..... | 2,135 | 2,703 | 2,790 | 3,193 |
| Departmental Expenses | | | | |
| - General departmental expenses | 60,540 | 74,568 | 67,075 | 80,540 |
| | 143,441 | 163,655 | 157,142 | 172,264 |

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Commitments

| Sub- head (Code) | Item (Code) | Ambit | Approved commitment | Accumulated expenditure to 31.3.2017 | Revised estimated expenditure for 2017-18 | Balance |
|---------------------------------|------------------------------|-------------------------------|------------------------|--|--|------------------|
| | | | \$'000 | \$'000 | \$'000 | \$'000 |
| <i>Operating Account</i> | | | | | | |
| 700 | <i>General non-recurrent</i> | | | | | |
| | 480 | Film Development Fund..... | 540,000 | 348,668 | 46,999 | 144,333 |
| | 866 | CreateSmart Initiative^ | 2,000,000^ | 607,057 | 141,378 | 1,251,565 |
| | 897 | Hong Kong Design Centre | 268,600 | 221,197 | 24,435 | 22,968 |
| | | Total | <u>2,808,600</u> | <u>1,176,922</u> | <u>212,812</u> | <u>1,418,866</u> |

^ With an injection of \$400 million approved in the context of the Appropriation Bill 2016, the current approved commitment for the item is \$1 billion. A further increase in commitment of \$1 billion is sought in the context of the Appropriation Bill 2018.