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Office of the Telecommunications Authority
29/F, Wu Chung House
213 Queen's Road East
Wanchai, Hong Kong

Attn: Senior Telecommunications Engineer (Spectrum Planning)

Dear Sirs,

Consultation Paper on Spectrum Utilization Fee for Spectrum Assigned Administratively

With reference to the above consultation, we would like to submit our views and comments as follows:

1. We agree with the general principles under Paragraphs 8 and 9 of Part 1 "Who to Pay SUF". In particular, we fully support the principle that uses of spectrum that carry significant public interest should be exempt from paying SUF. We also applaud the classification of terrestrial TV broadcasting as a form of spectrum use that carries significant public interest.

The economic value of the public good arising out of terrestrial TV broadcasting is indeed very large. It consists of:

- (a) Providing carefully regulated free entertainment that is consumed by Hong Kong people for more than 2 hours each day on average,
- (b) Providing comprehensive news services, as mandated by license,
- (c) Providing programmes addressing the needs of children, youth and the elderly, as mandated by license,
- (d) Providing one minute of airtime every hour for Announcements of Public Interest, as mandated by license.

If the economic value of the above valuable services to the public were quantitatively assessed, it would represent a very significant figure indeed.

2. However, we disagree strongly with Paragraph 10 of Part 1. We are of the view that the exemption from SUF for terrestrial TV broadcasting use should include not just the UHF spectrum used for broadcasting signals to viewers' dwelling units from hilltop/roof top transmission stations/gap fillers, but should also include the following

three types of spectrum usage as we contend that these types of spectrum use do equally carry significant public interest.

- (a) Use of fixed links for distributing signals between hilltop/roof top transmission stations/gap fillers.
- (b) Use of ENG links for news gathering and broadcasting purposes.
- (c) Use of OB links for live broadcasting from outdoor venues.

3. The reasons for our view above are as follows:

- (a) By necessary design, and for sound engineering reasons, the fixed links for relaying signals between transmission stations/gap fillers are an integral and essential part of the network needed to provide terrestrial TV broadcasts to viewers' homes. Indeed, they are every bit as essential, vital, and often irreplaceable, as the UHF spectrum used for broadcasting from the transmission station/gap fillers to viewers' dwelling units.
- (b) News services are a mandatory provision under the terrestrial TV broadcasting license, and the public often expect to be informed of any breaking news quickly, almost concurrently with the incident itself. In times of emergency, such timely reporting becomes even more critical to the public's security and well-being. ENG links are an essential public resource needed by terrestrial TV broadcasters to provide news reporting with the timeliness that the public demands and that the public interest would mandate in times of emergency.
- (c) The broadcasting of events of public interest or significant community interest such as major sports events, government events, festive celebrations and community cultural and social events, though not mandated by the broadcasting license, have for historical and social reasons come to be expected by the viewing public. Indeed, the Government often strongly requests TV broadcasters to provide such live broadcasts in the public interest. Without OB links, the scope of such live event broadcasting would be severely curtailed and the reliability and time-to-market of live event broadcasting would be seriously and adversely affected.

4. In addition, we should point out that the use of above three types of spectrum is already subject to very significant licensing fees. If such fees are not considered to be utilization fees, they must surely represent fees incurred in managing and regulating the use of the spectrum in a manner that optimally delivers public good. Thus, in addition to the contribution to the public interest that our above three uses of spectrum makes, we are also paying a significant amount to ensure that our use of the spectrum is managed and regulated in the best public interest. In light of this, we do not find it fair or necessary to pay any additional fee, on top of the amount currently being paid, for spectrum that is used for purposes that are in the public interest.

5. Our comments on the other parts of the consultation paper are as follows:

- (a) How to Set the Level of SUF – In cases where SUF is payable, the logic of the LCA approach is sound and reasonable but the identification of what the Lowest Cost Alternative is may not be easy in each case, and the actual costing of the LCA may be fraught with many practical difficulties. Furthermore, complications may arise due to the lack of exactly matching alternatives.

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(b) Implementation Issues – In cases where SUF is payable, we are of the view that the proposals in Part 4 are reasonable.

We would be most grateful if you could take into account our views and comments above.

Thank you for your attention.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'S K Cheong', written in a cursive style.

S K Cheong
General Manager, Broadcasting