



Despite of New T&T's consistent efforts, the achievements in building access and colocation exchanges are below our expectation. The main reasons for such are site constraints and administrative barriers imposed by both the dominant carrier and to a certain extent, by the property developers. This has seriously affected the ability of New T&T to rollout its telecommunications services to both consumers and the business community even though the backbone network is ready to serve a vast amount of customers.

## **Problems Encountered in the Market**

### *Traffic bottlenecks (Type I Interconnection)*

- telecommunications involve calling and called parties
- a telecommunications service is useless if calls cannot be made to it 僂 communication partners
- calls destined to customers connected at another network are transferred through Point of Interconnection (POI) between gateway exchanges of both networks
- the dominant operator is restricting volume of calls being transferred between it's customers (95% of lines in Hong Kong) and New T&T's customers by refusing to provide sufficient POI capacities
- in effect, customers of the dominant operator will experience congestion when making calls to customers of New T&T and vice versa
- congestion can be used as a tool to “bad mouth” new operators’ services, further restraining competitors’ growth
- traffic bottleneck restricts growth of new operators as more and more new customers are recruited

### *Last mile coverage (Type II Interconnection)*

- site constraints within buildings may not allow installation of additional facilities
- excessive road-opening for building coverage requires significant lead time, creates negative impact on traffic and adds up to great social costs
- have to rely on type II Interconnection using the dominant operator's local loop as their coverage is already territory wide (a historic competitive advantage of HKT)
- the dominant operator is restricting type II Interconnection through **administrative bottlenecks** like time to implement co-location exchanges and order quantity limitations
- examples of these administrative bottlenecks are:
  - restricts rate of implementation of co-location exchanges
  - restricts rate of pre-provisioning of facilities in co-location exchanges
  - caps order quantity to 36 lines per day per exchange only
  - refuses to perform cutover after 8:00 pm or at Sunday or public holidays (whereas they will do so for their own customers)

- refuses to perform large volume cutover on the same day (yet they can do so for their own customers)

Difficulties in reaching agreement with the dominant operator on interconnect issues

- tilted playing field
- the dominant operator has no incentive to agree with new operators on equal footings as a reasonable interconnect agreement will help new operators (their competitors) take away their own customers
- light-handed approach of the Government
- new operators are forced to agree on unfavourable terms or the interconnection issue will drag-on at the expense of new operators and ultimately consumer interest

#### **What we expect the Government can do?**

- Proactively promote competition
- Fast response to mediation and determination to interconnect issues
- Create a level playing field and provide assistance to the new operators at least in the initial phase until the market matures
- Enforce transparency of information, including cost of provisioning, of the incumbent's network that is required for interconnection
- Review interconnect charges and ensure that they are equitable

## Glossary

### **Backbone network**

The infrastructure including fibre cables that link facilities for providing telecommunications services

### **Co-location exchange**

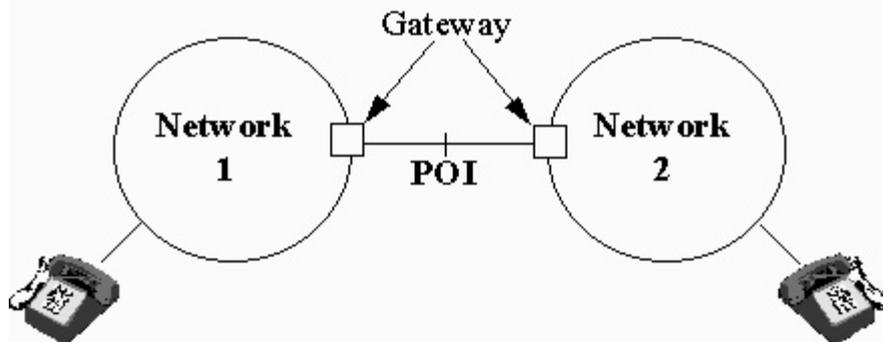
Co-location exchange is a telephone exchange owned by the incumbent operator where new operators can install its equipment for accessing copper loops that are covered by the telephone exchange.

### **Local loop**

Copper cables that link customer premises to a local telephone exchange

### **Type I Interconnection**

Type I Interconnection is an interconnection between network gateways as referred by Statement No 6 - 3 June 1995 "Interconnection Configurations and Basic Underlying Principles" issued by the Telecommunications Authority.



### **Type II Interconnection**

Type II Interconnection is the interconnection in points of local loop as referred by Statement No 6 - 3 June 1995 "Interconnection Configurations and Basic Underlying Principles" issued by the Telecommunications Authority.