

Letterhead of NEW WORLD TELEPHONE

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BY FAX (Fax No. 2121 0420)

(Total: pages)

Hon Sin Chung-kai
Chairman of the Information Technology
and Broadcasting Panel

6 January 2001

Dear Hon Sin

Further to our recent meeting, I enclose a list of interconnection issues which we have experienced with HKTC that we would like to bring to the attention of all members of the panel for discussion in the up-coming meeting. If you require any further information, please let me know.

Yours sincerely

Dumas Chow
General Counsel

cc. Miss Polly Yeung

Interconnection Issues with HKTC

Overview

- HKTC will increase residential telephone line tariff by 22% from \$90 to \$110 and business line tariff by 18% from \$108.8 to \$128.8
- More than 5 years after the fixed telephone line market was first liberalised, HKTC is still the dominant operator and owns 95% of local telephone line subscribers
- The three new operators cannot compete with HKTC on a level playing field due to various problems in interconnecting with and accessing to HKTC's telephone exchanges and subscriber lines (local loop)
- As a result, most consumers have very little choice in opting for an alternative service provider (e.g NWT has received over 3,000 enquiries from HKTC's customers to switch services in the week after HKTC has announced the price increase but is not able to meet these demands due to the interconnection problems outlined in this paper)

Problems in accessing HKTC Telephone Exchanges (for co-location of equipment and interconnection)

- Long lead time (at least 6 months, occasionally more than a year) from filing of application to the provisioning of service
- HKTC only permits each operator to co-locate at 3 to 4 telephone exchanges each year
- HKTC charges the operator an unreasonably high sum for the setting up and continue operation of the operator's equipment in these exchanges (typical set-up cost is HK\$1.3 million, 100% higher than NWT's estimated cost)

Problems in cut-over of subscriber lines

- HKTC only allows up to 36 subscriber lines to be cut-over per working day per exchange (about 9,000 subscriber lines per year)
- It is because HKTC requires two hours to cut over 9 subscriber lines. In our view, this is unacceptable
- Some customers may need to wait for a month before they can switch over to NWT.

Limitation of Point of Interconnection (POI) Facilities affects growth of telephone services

- Because HKTC has 95% of the subscriber's lines, all FTNS operators must interconnect with HKTC and pass interconnect traffic to (or transiting through) HKTC
- NWT has problems ordering additional POI Facilities from HKTC in order to meet continuous traffic growth because HKTC controls the supply of POI Facilities and the delivery of these facilities (e.g. in a recent request in Tung Chung, it takes HKTC 15 months to deliver these facilities)

NWT makes the following requests

- Shorten the lead time for co-location exchange site set-up to 3 months
- Minimum 8 co-location exchange sites set-up per year
- Reduce co-location exchange site set-up costs by 50%
- Minimum 100 subscriber lines cut-over per day per exchange
- Government to mandate a more efficient and effective interconnection regime in Hong Kong
- Government should promote broadband Type II interconnection between the networks of the new operators and HKTC