

Hong Kong Broadband Network Limited's Submission to  
LegCo Panel on Information Technology and Broadcasting

Introduction

1. Hong Kong Broadband Network Limited (HKBN) welcomes the invitation by the LegCo Panel on Information Technology and Broadcasting to comment on the extent of service coverage of the new operators following the liberalization of the fixed telecommunications market in 1995, their interconnection with the dominant operator's telephone exchanges and subscriber lines, as well as the possible choices available to consumers.
2. Generally, being a new operator in the market, HKBN is of the view that interconnection with the incumbent network plays an important part in rolling out one's own service/network which in turn affects the number of choices available to the customers.

Interconnection is essential for rolling out its service/network for New Operators

3. Type I interconnection is a prerequisite to enable the customers of a New Operator to communicate with other parties who are connected to the incumbent operator's network. For Type II interconnection, it is essential to enable a New Operator to extend its services to more customers, especially when there are technical and physical constraints in rolling out its own network to the customers directly.
4. Moreover, as rolling out one's own territory-wide network infrastructure from scratch would take a very long time to complete, an efficient interconnection with the incumbent network is also essential, at least, to have an initial launch of service of a New Operator.
5. Given that, any effective interconnection would enable a New Operator to devote more time and resources in providing more technologically advanced and cost-effective services to the customers. In effect, more effective competition in the market would be encouraged, with more choices available from the alternate

operators. This enhanced level of competition would also bring benefits to the customers in terms of lower prices, better quality and more innovative services.

#### Time for OFTA to regulate Interconnection

6. To facilitate an effective interconnection in the market, HKBN agrees with the general government stance of avoiding proactive intervention in the business aspects of interconnection.
7. However, since the granting of the 4 wireline-based local fixed network licenses in July 1995 and even after the granting of further wireless FTNS licenses in 2000, interconnection negotiation has remained a cumbersome and time-consuming process with the incumbent operator dominating the process of negotiation.
8. Given the conflicting interests of different operators in rolling out their own network/service, the existing OFTA arrangement for leaving the network operators to agree among themselves the terms and conditions for interconnection on a commercial basis, is in effect prolonging the interconnection process. In this respect, HKBN supports the view that OFTA should take a more proactive role in devising more effective implementation rules to be followed by the network operators, just like the implementation rules for mobile number portability. This would ensure that all the operators could negotiate on a leveled ground, with a view to facilitate more effective interconnection.
9. Further, given that interconnection is a common issue to almost all operators, it would have saved much resources to have a set of standard procedures for implementation which apply to all operators, rather than leaving each operator to repeat the same whole process of negotiation each and every time all over again. Launch of services will likely be delayed as a result of any unwarranted lengthy negotiations. More importantly, New Operators which are comparatively in a less bargaining position (*vis-à-vis* the incumbent operator) might not be able to bargain for favourable interconnection terms which are to the interests of the customers as a whole.
10. Furthermore, as the market grows more liberalized with an increasing number of operators operating in the market, chances of interconnecting with various operators might be increased. Thus, the negotiation matrix for interconnection would become more and more complicated. In this respect, we should devise at least some basic implementation rules to be followed by the operators so as to cater for and encourage more effective interconnection among various operators.
11. Besides that, interconnection arrangement is a continuing concern to the operators as the actual interconnection arrangement as well as the interconnection charges might have to be reviewed from time to time, in the face of market and/or

technology changes. Hence, periodic revision is very important. OFTA, as the regulator and as a collective effort, should continue to monitor and review the ongoing interconnection arrangement so as to maximize the benefits of interconnection. This would definitely pose a very positive impact on improving interconnection efficiency on one hand and market development on the other.

12. In view of the foregoing, HKBN would urge OFTA to regulate the interconnection issue at full speed rather than to wait until the “failure” of commercial negotiations, which would have already taken months or even a year.

#### Transparency of interconnection topology

13. Network capacity information is a very fundamental concern of network operators in the negotiation of interconnection as it has direct relevance to traffic forecast and business planning. In the light of this, operators should at least have a grasp of basic information of the network availability and/or interconnection topology of the incumbent operator before entering into interconnection negotiations.
14. At present, very little information is available to allow the operators to have a detailed and precise business and network development planning; and thus might reduce the efficiency of resources utilization. Lack of network information might have also made possible any manipulation by the incumbent operator in the process of interconnection negotiation.

#### The “Ordering Approach” vs. “Forecasting Approach”

15. Related to the lack of network information in the market are the fallacies of the existing forecasting approach in negotiating interconnection. At present, an operator would request for certain network capacity based on its own forecast. As these operators have very little information of how much their capacity would be met and in order to better secure sufficient network capacity, there might be cases where an operator would have allowed a bigger margin in its forecast to the incumbent operator. On the other hand, under the forecasting approach, the incumbent operator is not obliged to entertain any network capacity request by the other operators.
16. The above “forecasting approach” has created a misty ground whereby both the requesting and incumbent operator do not have sufficient and accurate information to plan their service rollout/network coverage. This would result in an inefficient use of resources and affect the market equilibrium in a long run.

17. In relation to this, HKBN supports an “ordering approach” by which both parties shall be committed to certain network capacity or financial commitment when an operator places an order of interconnection to the incumbent operator. Of course, this would be based on an assumption that there be an adequate flow of network information in the market so that the requesting operators could make a genuine pre-estimate of network capacity based on the prevailing network capacity before placing any order.
18. Furthermore, a standard provision lead-time of interconnection by the incumbent operator should also be introduced so as to avoid any undue delay in the implementation of interconnection. In this respect, compensatory damages may also be considered in case of breach.

#### From Narrowband to Broadband

19. Despite an increasing demand of broadband services, it is still in its premature stage for broadband service to have a wide application in the HKSAR market. Attributing factors like user penetration, network coverage, technology support, user applications and effective market competition are still in their development stage. Thus, it would be immature to conclude at present that the development of the telecommunications infrastructure would in the future be totally relied on broadband networks. In this respect, HKBN is of the view that the market should not pre-empt itself of the development of the existing PSTN networks, which form the basis of interconnection between operators.

Hong Kong Broadband Network Limited

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