

For Information
On 12 February 2001

Legislative Council
Information Technology and Broadcasting Panel

**Responses to the Submissions made by Operators
of Fixed Telecommunications Network Services on
Interconnection Issues**

Background

Three operators of Fixed Telecommunications Network Services (FTNS), namely New T & T Hong Kong Limited (New T & T), New World Telephone Limited (NWT) and PCCW-HKT Limited (PCCW-HKT) made written submissions to the meeting of the Panel on 8 January 2001. This paper gives the response of the Office of the Telecommunications Authority (OFTA) to these submissions.

Submissions on Type I Interconnection between the Networks of New T & T and PCCW-HKT

2. Parts of the submissions of New T & T and PCCW-HKT concern the provision of capacity for interconnection between the networks of the two operators. This is the subject of a determination on interconnection under section 36A of the Telecommunications Ordinance currently in progress. Submissions to the Telecommunications Authority (TA) have been made by the operators under the determination proceeding and these are being considered by the TA. It is not appropriate for OFTA to respond to these parts of the submissions at this stage in order not to prejudice the determination. When the TA has made the determination, OFTA will publish it in its website www.ofta.gov.hk.

Submission of New T & T

3. The part of New T & T's submission to the Panel on Type I interconnection is concerned with the determination proceeding referred to in

paragraph 2 above. OFTA will not respond to this part of the submission.

4. The response to the submission by New T&T concerning Type II interconnection has been set out in paragraphs 5 to 18 below.

Submission of NWT

5. The submission of New World Telephone (NWT) is concerned with Type II Interconnection. Type II interconnection means the interconnection by one FTNS operator (the “Requesting Operator”) to the local loops (copper pairs) of another FTNS operator (the “Providing Operator”) such that the Requesting Operator can provide service to its customers using the local loops of the Providing Operator. This will enable the Requesting Operator to provide services to compete with the Providing Operator before the Requesting Operator can install its own local loops to reach the customers (which might take time to complete and in some cases might not be possible because of physical constraint). To enable Type II interconnection to take effect, it is necessary for the Requesting Operator to extend its network to, and “co-locate” its equipment at, the local exchanges of the Providing Operator where Type II interconnection is made to the local loops.

6. To promote effective competition among local fixed networks, the TA announced the availability of Type II interconnection in 1995. The TA in Hong Kong is one of the first regulators to make Type II interconnection (or called “unbundling of local loops” in other countries) available. As in other jurisdictions which have introduced similar pro-competition policies, Type II interconnection arrangement is understandably not welcomed by the incumbent operator which has the most extensive local loop systems and would initially be the Providing Operator in most cases. Despite such resistance, the TA has taken firm steps to implement the Type II interconnection arrangement.

7. The steps taken by the TA have included setting out the principles for determination of fair interconnection charges, facilitating through mediation the commercial agreement of interconnection charges, convening an industry forum to prepare a code of practice to provide for a procedure so that interconnection can be made in a coordinated and timely manner, clarifying the law by introducing amendments to section 36A of the Telecommunications Ordinance in 1999/00 and conducting a review leading to the conclusion in November

2000 that Type II interconnection should be extended to broadband services.

8. The industry forum established by the TA in 1999 was participated by the four wireline-based local FTNS operators. The purpose of the forum was to work out a procedure whereby the Requesting Operators could roll out its services to its customers without unreasonable hindrance, while the procedure would not impose unfair burden on the resources of the Providing Operator. As the implementation of Type II interconnection requires the cooperation of the Requesting and Providing Operators, the coordination procedure needs to be agreed among the operators on a commercial basis in the technical forum, with OFTA providing assistance where necessary where difficulties in reaching commercial agreements arise.

9. The code of practice was published in April 1999. This technical forum has been meeting to refine the code of practice in the light of operational experience. An amendment to the code of practice was agreed in November 2000. Members may download the code of practice from OFTA's web site.

10. Understandingly, agreements reached and incorporated into the code of practice involved compromises reached at the technical forum and the demand of a particular operator may not be fully satisfied.

11. The code of practice agreed among the operators participating in the technical forum convened by OFTA has incorporated the following limits:

- (a) 36 copper pairs of local loops per exchange per operator per day;
- (b) co-location in 3 local exchanges per operator being processed at any time.

12. The above limits would impose some restrictions on the pace at which local exchanges are prepared for co-location and, once a local exchange has been prepared for co-location, the pace at which actual Type II interconnections to customers can be made.

13. The limit of 36 copper pairs of local loops per exchange per operator per day was agreed to after discussions at length at the technical forum on the likely requirements of the new operators and the resource limitation of PCCW-

HKT. Work may proceed beyond the limits by special arrangement for “over time work” to be discussed and agreed among the FTNS operators.

14. If the operators wish to increase the above limits to meet their future requirements, they should raise their requirements for discussions and agreement at the technical forum convened by OFTA.

15. The three new FTNS operators are committed to reaching the following number of exchanges at the end of each year up to 2002:

	HGC	New T & T	NWT
end 2000	16	7	9
end 2001	18	8	12
end 2002	22	10	15

16. The limit of 3 exchanges at any one time for each operator would not hinder the three new FTNS operators in meeting their commitments to the Government.

17. OFTA has estimated that if the three new FTNS operators have made full use of the 36 copper pairs of local loops per exchange per operator per day, up to the end of 2002, over 800,000 lines can be provided to customers.

18. In the technical forum, OFTA has taken the following initiatives to provide more flexibility in the implementation of the limits agreed to by the operators:

- (a) The daily quota for the three operators will be pooled so that there would be a total of 108 copper pairs per exchange which may be used by any operator if the other operators’ demand for a particular day is below its daily quota.
- (b) The technical feasibility of exchange co-location requirements of a new FTNS operator in a year will be considered in one batch so as to shorten the processing time of the actual applications.

Submission of PCCW-HKT

19. This submission is mostly concerned with the determination proceeding referred to in paragraph 2 above. As explained, it is inappropriate for OFTA to respond to this submission at this juncture.

Office of the Telecommunications Authority

February 2001