

For information

Legislative Council
Information Technology and Broadcasting Panel

International Examples Relating to
Ensuring Alternative Choice in Local Telephone Service in
Remote Areas in Liberalised Markets

Purpose

In relation to the implementation of full liberalization of the local fixed telecommunications market, a member requested further information on whether there were telecommunications policies that ensured alternative choice in local telephone service in remote areas in liberalised markets in overseas countries like the United States and Canada. This paper aims to brief members on the practices of the United States , Canada, and the United Kingdom .

United States

2. There is no requirement for a second carrier or more carriers to provide local telephone service in remote areas in the United States. The policy is however, to put in place a universal service programme. This is to ensure that every resident in remote areas will have access to basic telecommunications services at unified prices.

Canada

3. Again, there is no requirement for a second carrier or more carriers to provide local telephone services in remote areas in Canada. Because of the high operating costs to provide basic telephone services in some remote and rural areas in the far north of Canada, residents in some areas do not even have access to such services at all. The issue the Canadian Radio-Television and Telecommunications Commission faces is therefore how basic telephone service can be extended to the few areas that have not been served, and how the service level can be prevented from deteriorating. Once the area is served, there is no policy to mandate alternative choice by competing operators.

United Kingdom

4. Similarly, there is no requirement for a second carrier or more carriers to provide local telephone services in remote areas in the United Kingdom. The key policy is again to ensure that there is a universal service obligation placed on the incumbents (i.e. British Telecom and for Hull area, Kingston) to provide basic telephone services to everyone at unified prices on reasonable request. Once served, there is no requirement that mandates a second operator to provide services to that area.

Observation

5. Our policy is in line with those adopted by the United States, Canada and the United Kingdom. They stipulate an “obligation to serve”, which is more commonly known in Hong Kong as “**universal service obligation**”. It is generally placed on the incumbent to provide the public basic telephone services to the population in remote areas at unified prices. This aims to ensure that the residents of remote areas would not be deprived of basic telephone services, when the telephone companies may otherwise have no commercial incentive to serve. At the same time, telecommunications operators are required to share the net cost of meeting this obligation, commonly referred to as the obligation to make “universal service contribution”.

6. Once the basic telephone services are available to all residents at unified prices, regulators generally do not require second or more telephone companies to install a second network, i.e. to mandate a competing operator to serve remote areas in issuing the licences. Whether and how to provide further services by alternative service providers in a particular area is a matter for the market to decide. The key for the regulator is to minimize barriers of entry into the market, and to provide a level playing field for competing operators.

Information Technology and Broadcasting Bureau

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