

**For discussion
on 10 June 2002**

**Legislative Council
Panel on Information Technology and Broadcasting**

**Current Status of Interconnection
in the Telecommunications Market**

Introduction

This paper updates Members on the latest state of play in the regulatory framework for interconnection of telecommunications networks and services in Hong Kong.

2. In order not to prejudice the fairness of determination proceedings, this paper will not comment on the specific issues concerning cases in progress.

3. The existing regulatory framework is based on the Government policy of a light-handed approach in regulation. Operators are encouraged to negotiate interconnection agreements on a commercial basis. Where necessary, the Office of the Telecommunications Authority (OFTA) will also conduct mediations to assist the operators in resolving disputes and conclusion of commercial agreements. If, however, commercial agreements cannot be reached within a reasonable period, or if public interest so justifies, the Telecommunications Authority (TA) may make a determination on the terms and conditions of the interconnection under section 36A of the Telecommunications Ordinance.

4. The TA adopts a fair, open and transparent regulatory regime ensure for interconnection. To provide guidance to the industry and transparency, the TA sets out all the key elements for interconnection in his statements including:-

- (a) the requirements for interconnection between networks and services;
- (b) the charging principles for the determination of terms and conditions. These were reviewed recently in 2001 and

subsequently published on 18 March 2002 after industry consultation; and

- (c) procedures for making determinations. These were reviewed recently in 2001 and subsequently published on 27 September 2001 after consultation with the industry.

All statements are published on OFTA's web site which is accessible to all members of the public.

5. It is worth noting that if justified, the TA may also direct that interconnection be made before a determination is made. The determination on charges would then be applied with retrospective effect. The determination process therefore should not affect the flow of communications traffic between the networks or the progress of competition development.

Type I Interconnection

6. Type I interconnection is interconnection between gateways of networks to enable the customers connected to one network to communicate with users connected to another network, or to access the services provided by, or connected to, another network. Such interconnection has been achieved from 1 July 1995 when three new entrants entered the local fixed telecommunications network services market to compete with the incumbent operator.

7. Upon request by the operators, the TA determined in August 1998 the interconnection charges between the incumbent (now PCCW-HKT Telephone Limited (PCCW-HKTC)) and Wharf New T & T Limited (WNT&T). Such charges, which were determined to be valid until June 1999, have since become the benchmark of the industry. More recently, the TA has been requested by the two operators to determine the interconnection charges from July 1999 onwards.

8. For the five new local wireless-based fixed network services operators and the Cable TV operator that entered the market in 2000, Type I interconnection with other networks is required as soon as they provide the fixed telephone line services. In this regard, the TA issued a direction on 25 April 2002 requiring Type I interconnection between the network of one of these new entrants and the other local fixed networks to be effected by 9 May 2002 for local fixed telephony services.

Type II Interconnection

9. Type II interconnection is interconnection to the local loops of one network operator to enable another network operator to provide services (e.g. telephone line services) to customers connected to the end of the local loops without duplicating the local loops. Hong Kong is one of the first regulatory regimes to provide for such interconnection, which has been available since the commencement of competition in the local fixed telecommunications network services market in July 1995. The level of charge has been commercially agreed after TA's mediation since 1999.

10. In November 2000, after an industry consultation, the TA decided that the Type II interconnection should be available for broadband services as well. The key principles for such interconnection are already set out in the statement published in November 2000. The TA has received the first request for determination on broadband services since the issue of the statement. He is now working on the detailed costing elements including the cost of capital for broadband services. Having considered the views from both parties on the technical feasibility and urgency of interconnection, the TA has directed that the interconnection be effected promptly upon request pending the determination of the terms.

Determinations Made and Determinations in Progress

11. The paper for the Panel meeting on 10 December 2001 provided a list of the determinations for interconnection which had been completed by the OFTA since July 1995 and a list of determinations then in progress. The two lists are updated and attached in the Annex.

Office of the Telecommunications Authority

June 2002

**Determinations made by the Telecommunications Authority
and Determination Proceedings in Progress under Section 36A of the
Telecommunications Ordinance**

- (1) Determination already made by the TA under section 36A of the Telecommunications Ordinance

Date	Parties	Subject Matter
9 Aug 1995	Wharf Cable Limited and Wo Kee Hong Limited	Interconnection between subscription television network and Satellite Master Antenna Television (SMATV) System
29 Sep 1995	Hong Kong Telecom International and local network operators	Delivery fees for interconnection between international gateway and local fixed and mobile networks
16 Feb 1996	Wharf Cable Limited and Global Satellite TV Limited	Interconnection between subscription television network and Satellite Master Antenna Television (SMATV) System
13 Jun 1996	Wharf Cable Limited and Global Satellite TV Limited	Interconnection between subscription television network and Satellite Master Antenna Television (SMATV) System
26 Nov 1997	Wharf Cable Limited and Global Satellite TV Limited	Interconnection between subscription television network and Satellite Master Antenna Television (SMATV) System
24 Apr 1998	Yieldhost and Public Mobile Radiotelephone Service Operators	Interconnection between mobile networks and integrated radio system at Hong Kong Convention and Exhibition Centre
21 Aug 1998	Hong Kong Telephone Company Limited and New T & T Hong Kong Limited	Terms and conditions for Type I interconnection between fixed networks

Date	Parties	Subject Matter
7 Oct 1998	Hong Kong Telecom International and local network operators	Delivery fee arrangement for interconnection between international gateway and local fixed and mobile networks
30 Dec 1998	Hong Kong Telecom International and local network operators	Implementation of local access fees and modified delivery fee arrangements
16/4/1999 (settled by mediation)	Hong Kong Telephone Company Limited and New World Telephone Limited	Charges for Type II interconnection between local fixed network operators
19 Aug 1999	Hong Kong Telecom International and local network operators	Revised gateway prices and delivery fees for Category B routes
10 Dec 1999	Cable & Wireless HKT Telephone Limited and New World Telephone Limited	Interconnection charges to be paid by fixed network operator providing the service chosen by the payphone users and to be received by the fixed network operator operating the payphone
12 Jul 2000	Rediffusion Satellite Services Limited and Hutchvision Hong Kong Limited	Interconnection between services under satellite television uplink and downlink licence and Satellite Master Antenna Television (SMATV) systems
3 Mar 2001	PCCW-HKT Telephone Limited and Hutchison Global Crossing Limited	Level of Operator Number Portability charges between the networks of fixed telecommunications network services licensees
16 Mar 2001	PCCW-HKT Telephone Limited and New T & T Hong Kong Limited	Terms and conditions for the Provision of "Point of Interconnection" capacity between fixed networks for value-added service and external telecommunications services

Date	Parties	Subject Matter
30 Nov 2001	PCCW-HKT Telephone Limited and New T & T Hong Kong Limited	Supplementary Determination on the terms and conditions for the Provision of "Point of Interconnection" capacity between fixed networks for value-added service and external telecommunications services
12 Mar 2002	PCCW-HKT Telephone Limited and Wharf New T & T Limited	Terms and conditions for the porting of "Non-level 2" numbers between the networks of fixed network operators
22 Apr 2002	PCCW-HKT Telephone Limited and Wharf New T & T Limited	Terms and conditions for the provisioning of six inter-MDF tie cable installations between fixed network operators

(2) Determination Proceedings in Progress by the TA under section 36A of the Telecommunications Ordinance (May 2002)

Parties	Subject Matter
Two local wireline fixed network operators	Terms and conditions for Broadband Type II interconnection
Two local wireline fixed network operators	Terms and conditions for Broadband Type II interconnection
Two local wireline fixed network operators	Level of Operator Number Portability charges between the fixed networks
Two local wireline fixed network operators	Level of Operator Number Portability charges between the fixed networks
An SMATV operator and a satellite television uplink and downlink operator	Interconnection between the systems of the two operators
Two local wireline fixed network operators	Level of Type I interconnection usage charge
Two local wireline fixed network operators	Level of charges of inter-MDF tie cable installation in telephone exchanges

Parties	Subject Matter
Two local wireline fixed network operators	Level of charges of sub-tie cable and inter-MDF tie cable installations in telephone exchanges
Two local wireline fixed network operators	Provision of sub-tie cables in telephone exchanges
Two local wireline fixed network operators	Commercial terms for self-build point of interconnection between the fixed networks
Two local wireline fixed network operators	Criteria for classification of rural LALs