

Implementation of the Full Liberalization of the Local Fixed Telecommunications Network Services Market from 1 January 2003



Background



Government's Telecom Policy

- Firm policy to liberalize the telecommunications market in Hong Kong
- Conducted extensive consultation with input from industry and public before making policy decision
- To fully liberalize the Local and External FTNS markets from 1 January 2003 : -
 - licensing additional local wireline-based FTNS operators
 - licensing external telecommunications facilities operators who have acquired capacity through purchase of Indefeasible Rights of Use (IRUs) of submarine or overland cables

Government's Telecom Policy (Cont'd)

- ◆ A snap shot of the existing competitive market :
 - 4 wireline-based FTNS operators
 - PCCW-HKTC, New T&T, HGC and NWT
 - 1 wireline-based FTNS operator over HFC network
 - HKCTV
 - 5 wireless FTNS operators
 - HKBN, SBS, Hua Nan - Teligent, Eastar, PSINet
 - 22 EFTNS operators

Government's Telecom Policy (Cont'd)

- 2001 Policy Address : Invite applications for additional wireline-based FTNS licences by end 2001
- TA to consult on implementation issues

Background - *Regulatory Principles*

- Strong preference for market-driven solutions
- No restriction on number of licences unless there are certain physical constraints (e.g. scarcity of spectrum)
- Technologically neutral
- No foreign ownership restrictions, and level playing field

Background - *Licensing*

- No pre-set limit of number of licences for operation from 1 January 2003 of new local fixed wireline-based networks
- These new fixed carrier licensees may also cover:
 - wireless local fixed network services
 - external facilities services

Background - *Licensing* (Cont'd)

- To promote competition by market forces, not by performance bonds
 - previously, due to the limited number of licences, we required performance commitments by the operator to deliver pledged services to consumers, to ensure effective use of limited resources
 - when the market is fully liberalised, and there is no limit on the number of licences, the need for performance commitments falls away. Players will be free to offer services on a scale decided by their own business models
 - practical considerations for new players : licence fee, cost of roll-out, cost of related works

Consultation



Consultation

- Arrangements for preparatory activities of the new licensees to be allowed before 1 January 2003
- Arrangements for granting of rights under section 14(1) of the Telecommunications Ordinance
- Arrangements for permitting existing external FTNS and local wireless FTNS licensees to operate new local fixed wireline-based networks

Consultation -
Facilitating New Licensees'
Networks Roll-out

Consultation - *Facilitating New Licensees' networks roll-out*

– Reasons

- Government's policy to facilitate operation of new competitive local fixed wireline-based networks as soon as practicable
- Takes long period of time to roll-out such networks
- Without the proposed measures, new licensees may be blocked from ducting work for some time after January 2003 due to restrictions on road opening work

Consultation - *Facilitating New Licensees' networks roll-out*

- Preparatory activities permitted in 2002
 - Planning & design of network, acquisition of cables and equipment
 - Entry into contracts of interconnection, supply of services and facilities, and other commercial matters
 - Entry into contracts for leasing ducts for occupation after end of 2002 or leasing space for laying ducts after end of 2002
 - Planning, coordination and obtaining approval for road opening work after end of 2002

Consultation - *Facilitating New Licensees' networks roll-out*

- Preparatory activities permitted in 2002 (cont'd)
 - Participation in road opening projects of licensed local fixed wireline-based network operators to include their duct requirements in the construction, BUT they cannot install facilities in or use the ducts before 1 January 2003
- TA welcomes comments on these arrangements

Consultation - Granting of Section 14(1) Rights



Consultation - *Granting of Section 14(1) Rights*

– Building Access

- Prefer interconnection to each operator building its own telecom system within building
- Efficient use of infrastructure
- Section 14(1) rights granted on case-by-case basis

– Road Opening

- Depend on scope of service to be carried out
- Section 14(1) rights granted on case-by-case basis

– TA welcomes comments on these arrangements

Consultation -

Existing FTNS Operators to Operate Local Fixed Wireline-based Networks

Consultation - *Arrangements for Existing FTNS Operators*

- EFTNS and LWFTNS may apply to extend their licences to operate local fixed wireline-based networks.
 - As full liberalization with no pre-set limit of number of licences implemented, not necessary to limit to their existing scope.
 - Backhaul only operation permissible.
 - Mobile operators wish to operate local fixed wireline-based networks are required to take out fixed carrier licences
- TA welcomes comments on these arrangements.

Timeline



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- Consultation Ends on 27 November 2001
- Invite Applications in December 2001
- Issue Licences as soon as possible - early 2002
- Licences Effective Only From 1 January 2003

END

Q & A Session