

For Discussion
On 10 December 2001

Legislative Council
Information Technology and Broadcasting Panel

**Issues related to “Intelligent Network” –
In-building Telecommunications System**

“Intelligent Network” in Buildings and related Licensing Issues

In-building telecommunications system, commonly known as “intelligent network”, consists of telecommunications equipment, fiber-optical cables and related facilities and ancillary equipment. According to the Telecommunications Ordinance (Cap 106), those who establish or maintain any means of telecommunications have to obtain a licence under the Telecommunications Ordinance. As in-building telecommunications system is a means of telecommunications, establishment or maintenance of such a system is required to obtain a licence.

2. Owing to the development of telecommunications technology and the public demand for innovative broadband services, property owners (i.e. the developers, Owners’ Corporations and other persons with interest in the property concerned) may also wish to establish advanced telecommunications systems. In the paper named “ The 1998 Review of Fixed Telecommunications: A Considered View”, we considered the merits of the development of intelligent buildings and proposed a streamlined licensing regime, that is, regulation by means of class licence. We also pointed out that in order to prevent property owners from unfairly exploiting their positions in their respective buildings, there should be safeguarding conditions for the construction of in-building, or in-estate networks. The government elaborated on the proposal in the above consultation paper and invited views from the industry and public. The proposal gained general support. The government subsequently proposed, and the Legislative Council enacted, the Telecommunication (Amendment) Ordinance 2000 to provide for the new class licence.

3. The Telecommunications Authority (TA) is now considering the details of implementing the class licence for in-building telecommunications systems to authorize certain class of persons to install and operate in-building telecommunications systems. In accordance with the class licence arrangement, a class of persons who meet the qualification set out in the licence may become licensees without the need to undergo a licence approval process.

4. Under the TA's current thinking, the property owners concerned mentioned in paragraph 2 above will become a class licensee for in-building telecommunications systems. The TA is of the view that it is inappropriate to license operators who do not have an interest in the property concerned to install and operate in-building telecommunications systems. It is because space for installation of cables and ancillary equipment for telecommunications services inside typical buildings in Hong Kong is very limited. To license operators who do not have an interest in the property concerned may lead to proliferation and uncoordinated installation of in-building telecommunications systems. This will bring about an adverse effect of confusing the property owners and eventually causing difficulties for operators to gain access to buildings for installation of telecommunications systems.

5. The Office of the Telecommunications Authority (OFTA) is drafting the details of the class licence. A consultation paper will be issued as soon as possible to seek views from public. Several major proposed principles and licence terms of the consultation paper are as follows:

- i) Although the licensees will be the property owners, the OFTA recognizes that not all property owners possess the necessary technique and resources to install their own in-building telecommunications systems. Therefore, property owners, as class licensees, may engage a third party as contractor to install and operate the in-building telecommunications systems on their behalf. As a contractor, the third party is not required to obtain a licence for such activities. It goes without saying that the conditions and obligations of a class licence cannot be delegated and will rest with the class licensees i.e. the property owners.

- ii) The aim of establishing the class licence is to enable residents and tenants in the buildings to have unrestricted choice of different networks/services. Therefore, one important licence condition under the class licence is that the in-building telecommunications system must be made available for interconnection with telecommunications networks or service operators on a *non-discriminatory* basis. The charge for interconnection must be first determined by means of commercial negotiation between the owners and operators seeking entry into the buildings. If agreement cannot be reached, either party may request for the TA's determination of the charge. The main principle the TA adopts will be cost-based (including a reasonable capital cost) when determining the level of interconnection charge, as the TA has no intention to allow property owners to profiteer from the provision of in-building telecommunications systems.

- iii) Under section 14 of the Telecommunications Ordinance, fixed telecommunications network services (FTNS) operators have statutory right of access to buildings to install equipment and cables to reach the residents in the buildings. Even if the property owners (i.e. the class licensees) have installed and are operating an in-building telecommunications system, this statutory right will not be affected. If commercial agreement cannot be reached by both parties for system interconnection/access, FTNS operators may request the TA's determination under the Telecommunications Ordinance, or choose to interconnect with other in-building telecommunications systems inside the building or install their own systems.

Enhancing liaison with property owners and publicity campaign

6. In order to enhance the liaison with the property owners, the OFTA has set up an "In-building System Section" to coordinate entry into buildings by FTNS operators for establishment of telecommunications equipment. The In-building System Section of the OFTA has organized a number of seminars, convened regular meetings with Owners' Corporations

and property management agencies and advertised on television. In order to enhance publicity and liaison, the OFTA is going to launch a large-scale publicity campaign in the coming six months to raise the public awareness of the benefits of telecommunications services. The publicity campaign includes educational programmes, on-line games, advertising films on television and radio, roving exhibitions, community activities, District Council briefings and meetings with Owners' Corporation and property management agencies, etc.

Office of the Telecommunications Authority
December 2001