

立法會
Legislative Council

LC Paper No. CB(1)425/02-03
(These minutes have been
seen by the Administration)

Ref : CB1/PL/ITB/1

Panel on Information Technology and Broadcasting

Minutes of meeting
held on Thursday, 7 November 2002, at 10:45 am
in the Conference Room A of the Legislative Council Building

- Members present** : Hon SIN Chung-kai (Chairman)
Hon Howard YOUNG, JP (Deputy Chairman)
Hon Eric LI Ka-cheung, JP
Hon CHAN Kwok-keung
Hon YEUNG Yiu-chung, BBS
Hon Emily LAU Wai-hing, JP
Hon Albert CHAN Wai-yip
Hon MA Fung-kwok, JP
- Members absent** : Dr Hon David CHU Yu-lin, JP
Dr Hon Philip WONG Yu-hong
Hon Timothy FOK Tsun-ting, SBS, JP
Dr Hon LAW Chi-kwong, JP
- Public officers attending** : Agenda Items IV and V

Mr Alan SIU
Deputy Secretary for Commerce, Industry and Technology
(Information Technology and Broadcasting) 2
- Agenda Item IV

Miss Adeline WONG
Principal Assistant Secretary for Commerce, Industry
and Technology
(Information Technology and Broadcasting) D

Mr John WONG
Assistant Director
Information Technology Services Department

Mr Gary LAI
Senior Systems Manager
Information Technology Services Department

Agenda Item V

Miss Helen TANG
Principal Assistant Secretary for Commerce, Industry
And Technology
(Information Technology and Broadcasting) B

Agenda Item VI

Mr M V STONE, JP
E-government Coordinator/
Commerce, Industry and Technology Bureau

Mrs Elizabeth YEUNG
Advisor to E-government Coordinator/
Commerce, Industry and Technology Bureau

Mr Isaac CHUNG
Assistant Secretary for Commerce, Industry and Technology
(Information Technology and Broadcasting) EG5

Agenda Item VII

Mr A S K WONG, JP
Director-General of Telecommunications

Ms Eva CHENG, JP
Deputy Secretary for Commerce, Industry and Technology
(Information Technology and Broadcasting) 1

Clerk in attendance : Miss Polly YEUNG
Chief Assistant Secretary (1)3

Staff in attendance : Miss Connie FUNG
Assistant Legal Adviser 3

Ms Debbie YAU
Senior Assistant Secretary (1)1

Action

I Confirmation of minutes and matters arising

LC Paper No. CB(1)63/02-03 -- Minutes of the Panel meeting held on 10 October 2002

The minutes of the Panel meeting held on 10 October 2002 were confirmed.

II Date and items for discussion for next meeting

LC Paper No. CB(1)185/02-03(01) -- List of outstanding items for discussion (as at 1 November 2002)

LC Paper No. CB(1)185/02-03(02) -- List of follow-up actions (as at 1 November 2002)

2. Members noted that a number of items had been proposed by the Administration for discussion in December 2002:

- (a) Consultation Paper on the Establishment for the Film Guarantee Fund;
- (b) Capital Works Reserve Fund, Head 710 Computerization Subhead A007GX-New Administrative Computer Systems;
- (c) Sound Broadcasting Licence Renewal;
- (d) Interoperability Framework; and
- (e) 2002 Public Opinion survey on Film Classification system.

3. For item (a), members agreed that deputations would be invited to attend the meeting. Apart from the consultation paper, deputations would also be welcomed to give views on other issues of concern to the development of the film industry. To allow sufficient time for discussion, members agreed that a special meeting would be held for item (a) on 3 December 2002 at 4:30pm while items (b) to (e) would be considered at the Panel's next regular meeting to be held on 9 December 2002. The Chairman also invited Mr MA Fung-
kwok to suggest some industry associations which should be invited to submit views and attend the special meeting on 3 December 2002.

(post-meeting note: For item (a), the Panel had posted a general notice to invite submissions on the web site of the Council on the Internet. It had also written to 16 organizations in the Film industry, as well as the banking sector through the Hong Kong Association of Banks and the DTC Association inviting them to provide written submissions and attend the meeting on 3 December 2002. Members were also invited to suggest other organizations to which the Panel should send invitation vide LC Paper No. CB(1) 290/02-03 dated 14 November 2002.)

III Papers issued since last meeting

- LC Paper No. CB(1)77/02-03 -- Press Release on "The Telecommunications Authority Waives the Submission of Performance Bonds in 2002 under the Third Generation Mobile Services Licences"
- LC Paper No. CB(1)89/02-03 -- Consultation Paper on the Establishment of the Film Guarantee Fund
- LC Paper No. CB(1)221/02-03(01) & (02) -- Letter to the Administration & Administration's information note on "Operating expenditure for programme implementation"

4. Members noted the papers issued since last meeting.

IV Review of Electronic Transactions Ordinance (ETO)

- LC Paper No. CB(1)185/02-03(03) -- Information note on issues related to the review of the Electronic Transactions Ordinance prepared by the Legislative Secretariat
- LC Paper No. CB(1)185/02-03(04) -- Information paper prepared by the Administration

(A set of power-point presentation material was circulated after the meeting vide LC Paper No. CB(1)254/02-03(01))

5. With the aid of power-point presentation, the Principal Assistant Secretary for Commerce, Industry and Technology (Information Technology and Broadcasting)D (PAS/CIT(ITB)D) briefed members on the major comments received for the proposals in the public consultation paper on the review of ETO issued in March 2002. She also highlighted the Administration's responses and certain revised proposals.

6. On the interface of the Inland Revenue (Amendment) (No.2) Bill 2001 with ETO, PAS/CIT(ITB)D highlighted that ETO provided a generic legal framework which should not prevent other Government bureaux and departments from enacting legislation to cater for their specific needs in implementing electronic services. The Inland Revenue (Amendment) (No.2) Bill 2001, which was currently examined by a Bills Committee, was an example of such legislation. The Bill, if enacted, would provide the legal framework for the use of Personal Identification Number (PIN) in filing tax return. She also briefed members on the use of PIN in overseas jurisdictions such as the United Kingdom, Singapore, and Canada. On the security of using PIN, members noted that the PIN-based electronic tax return service of the UK Inland Revenue had been temporarily suspended following reports that certain users could see the information relating to another person. The UK Inland Revenue had confirmed that the incident was the result of a combination of unusual circumstances, none of which had anything to do with using PIN as the authentication token and the UK Inland Revenue had never had any security or confidentiality problem arising from the use of PIN.

(post-meeting note: Details on the interface of the aforesaid Bill and the ETO as well as overseas experiences were contained in the speaking notes of PAS/CIT(ITB)D issued to members after the meeting on 11 November 2002 vide LC Paper No. CB(1)270/02-03))

7. Noting that there were now three other recognized certification authorities (CAs) under the ETO operating in the market to compete with Hongkong Post (HKP), Mr Eric LI urged the Administration to take active measures to foster the development of a more competitive CA market so as to promote electronic transactions.

8. In response, the Deputy Secretary for Commerce, Industry and Technology (Information Technology and Broadcasting)2 (DSCIT(ITB)2) pointed out that when ETO was first enacted, it had taken the CA applicants some time to familiarize themselves with the legislative requirements. At present, the Information Technology Services Department had been able to process the applications within the pledged period provided that all of the required information was submitted by the applicants. He highlighted that the

number of CAs should be determined by market demand and considered that four CAs in the market could bring about effective competition.

9. On the use of PIN as proposed under the Inland Revenue (Amendment) (No.2) Bill 2001, Mr Eric LI recapped that professionals/technical experts preferred the use of digital signatures over PIN. While members understood that the Administration was not mandating the use of a less secure technology but offering an additional option which was commensurate with the risks involved in filing tax return, Mr LI advised that the Government should educate the public about the differences in the levels of security and risks involved and individual users' responsibility in the safe keeping of PIN. He also said that it would be useful if a copy of the draft minutes on this item could be made available prior to the next meeting of the Bills Committee on the Inland Revenue (Amendment) (No.2) Bill 2001 to be held on 12 November 2002.

10. In response, DSCIT(ITB)2 reiterated that the Administration would not propose to make a general amendment to the ETO on the use of PIN for satisfying a signature requirement under law. In cases where the use of PIN in certain Government services was commensurate with the risks involved, specific amendment to the relevant legislation should be made so that the implications of the amendment could be fully examined by the Legislative Council and the community. The Administration would also disseminate the necessary information to guide the users, who opted to use PIN, in particular, in understanding and accepting the corresponding levels of security and legal risks.

11. The Chairman also opined that the application of PIN should be considered case by case as some parties had reservations about its adoption.

12. On the use of digital signatures, DSCIT(ITB)2 said that while its use was not prevalent among individual members of the public, its adoption by the business sector was encouraging. For example, 100% of the returns from banks and financial institutions to the Hong Kong Monetary Authority under the Banking Ordinance were submitted via electronic means while the majority of returns/reports required to be submitted to the Mandatory Provident Fund Schemes Authority under law was also in digital form. To encourage the use of digital signatures by individual members of the community, HKP would offer to citizens one year's free use of a digital certificate to be embedded in the new Smart ID Card to be rolled out in 2003.

13. Mr Eric LI sought confirmation from the Administration on the finalized decision of embedding the digital certificate of HKP in the new Smart ID Card. He asked whether the digital certificates provided by HKP in the Smart ID Cards could only be used for Government services or whether they could be used for commercial services as well. He also enquired whether the Smart ID

card platform would be open for digital certificates issued by other recognized CAs so as to facilitate competition in the CA market.

14. DSCIT(ITB)2 said that the inclusion of the digital certificate issued by HKP into the Smart ID Card was decided in the context of the exercise to replace existing ID cards with Smart ID cards. The digital certificates provided by HKP in smart ID Cards could be used for both Government and commercial services. Currently, Government services available to the public were open to all recognized CAs. Individual citizens might use the digital certificates issued by recognized CAs other than HKP when conducting electronic transactions under the Electronic Service Delivery Scheme. He also confirmed that Smart ID Card holders were free to decide whether they would continue to use the digital certificates issued by HKP after one year. Subject to operational experience and the community's readiness, the Administration would also consider opening up the Smart ID Card platform to the digital certificate issued by other CAs.

15. Summing up, the Chairman advised that the various issues relating to electronic transactions could be further examined when the relevant Bill was introduced into the Council.

V Memorandum of Understanding on Co-operation in Information and Communications Technology

LC Paper No. CB(1)185/02-03(05) -- Information paper provided by the Administration

16. DSCIT(ITB)2 briefed members on the conclusion of Memorandum of Understanding (MOU) on co-operation in information and communications technology (ICT) between Hong Kong and other countries which were advanced in the use of ICT. These co-operative arrangements were valuable to Hong Kong's development as a leading digital city. They had also enabled the local industry to access the market in these partner countries more effectively and efficiently.

17. To tap the huge market of the Mainland, the Chairman considered it important to strengthen co-operation in ICT between Hong Kong and places like the Guangdong province.

18. In response, DSCIT(ITB)2 pointed out that it might be difficult to conclude a general co-operative arrangement on ICT with the Mainland as a whole as circumstances varied among provinces and cities. Efforts were being made to establish co-operative relationship with places such as Zhuhai and other cities in Guangdong province which were advanced in the development of software. The HKP was also exploring co-operative

arrangements on certification services with the CAs in Shanghai and Guangdong province.

19. Mr Eric LI referred to his professional experience and remarked that MOUs on co-operation in matters such as taxation sometimes involved exchange of private data which might give rise to privacy concerns. He asked whether the MOUs on co-operation in ICT would only involve the exchange of certification and technology and not private data and whether such MOUs would need to be ratified.

20. In response, DSCIT(ITB)2 advised that co-operation under the MOU arrangements involved the exchange of information on policies and on the regulatory/legislative framework on ICT. He confirmed that information on individual companies was not involved and ratification of the MOUs was not required.

VI Common Look and Feel for Government Web Sites

LC Paper No. CB(1)185/02-03(06) -- Information paper provided by
the Administration

(A set of power-point presentation material was circulated after the meeting vide LC Paper No. CB(1)254/02-03(02))

21. With the aid of power-point presentation, the E-government Coordinator, Commerce, Industry and Technology Bureau (EGC/CITB) briefed members on the Administration's initiative to adopt a Common Look and Feel (CLF) for government web sites.

22. Whilst appreciating that CLF might serve to project a consistent online brand image for government web sites, Mr Albert CHAN considered that individual departments should be given a certain degree of liberty in developing their web sites so as to retain their characteristics. He also suggested that incentives such as web site design contests might help promote creativity.

23. In response, EGC/CITB explained that only the header, footer and vertical bar were mandatory, departments were free to decide on what information to present and how to present them in the part of the web page reserved for presentation of contents. He further elaborated that for theme sites such as search for jobs, only branding would be required under CLF and there would be plenty of room for variety and design. While noting Mr CHAN's suggestion of holding contests, EGC/CITB said that there might be practical difficulty in judging the sites given their diversity.

Contact details

24. To facilitate users, Mr Albert CHAN urged that contact details such as the telephone numbers or email addresses of front-line officials should also be given in the web sites of the departments on a mandatory basis. He considered the lack of such information highly user-unfriendly. He did not envisage much difficulty in implementing his suggestion as there already existed a telephone directory of the Government. Supporting Mr Albert CHAN's view, Mr Eric LI said that the section "About us" should be re-titled "Contact us" to strengthen the contact between the public and the Government instead of just presenting a cluster of information.

25. Sharing Mr Albert CHAN's and Mr Eric LI's concerns, the Chairman remarked that while the general public would unlikely contact top officials, they would probably need to contact certain frontline staff in connection with certain operational and day-to-day matters. Hence, it would be useful to include the contact details of these officers in the web sites. On the technical aspect, Mr CHAN Kwok-keung suggested that it might suffice to create a hyperlink between the names of the officials and their contact details in the web telephone directory.

Admin

26. In response, EGC/CITB explained that the "About us" and "Contact us" buttons were for different purposes. The suggested content under the "About us" button included the curriculum vitae of chief officials, organization charts, details of the organization and any other contact information. The "Contact us" button on the horizontal bar was mandatory. Under this button, departments should list the name, telephone number, fax number and email address of front-line staff with whom citizens could contact. EGC/CITB pointed out that timely updating would be essential to make the information useful. He undertook to relay Members' concerns to various departments.

Implementation

27. On the roll-out of CLF web sites, Mr Albert CHAN considered it necessary to expedite the process so as to improve the navigability and usability of the government web sites.

28. In response, EGC/CITB pointed out that it would be more cost-effective for government bureaux/departments to adopt the CLF designs during their normal web site revamping exercise which would take place over the coming two to three years. Notwithstanding, due to changes in the organization of the Administration, many departments were planning to revamp their sites before April 2003. In addition, in order to have a meaningful launching impact, the highly utilized sites of Labour Department, Information Services Department and Hong Kong Observatory, which altogether received 60% of the total hit to

government sites, would be accorded priority in launching CLF. He recalled that the government web sites received 5 million hits a day.

29. Mr Albert CHAN reiterated his concern for early roll-out and enquired about the cost implications. He considered it worthwhile to expedite the web site revamping exercise if the cost incurred was not too high. He suggested that individual departments should aim to complete revamping their web site within a reasonable period of time. They should be required to provide an explanation if they could not complete the exercise as scheduled.

30. EGC/CITB advised that it was the Administration's intention to keep any additional cost to a minimum. He said that about HK\$2 million would be used to set up a help desk to provide assistance to the departments and to develop a web site containing the detailed specifications of the CLF designs for the reference of the departments. Another HK\$4 million or so would be required in launching the three sets of highly utilized CLF sites of Labour Department, Information Services Department and Hong Kong Observatory.

Young versions

31. Mr Eric LI noted that government web sites were often visited by young people for looking up information in preparing school projects. Referring to the young version of the Legislative Council web site, he considered that young versions for some relevant sites should also be developed to increase their appeal to young people and promote civic education. Forum in which young people could express their views should also be made available in the young version sites. The Chairman also concurred that the Administration should select some web sites for which young versions should be developed.

32. In this regard, EGC/CITB remarked that the mandatory section on "About us" giving out information on organization charts and details of the organization etc contained relevant information which might assist young people in preparing their projects. Nevertheless, he took note of members' concerns and undertook to convey the suggestions to various departments.

Admin

Concluding remarks

33. Summing up, the Chairman concluded that members would welcome the government's initiative to improve the navigability, usability and presentation consistency of web sites. However, individual departments should be allowed a certain degree of flexibility in their web site design and layout. He suggested and members agreed that the Administration should take note of members' concerns/views and report the progress in implementation in the six-monthly progress reports on E-government submitted to the Panel.

Admin

VII Increase in Mainland IDD access charge

LC Paper No. CB(1)211/02-03(01) -- Increase in Mainland IDD access charge - Chronology of events (up to 4 November 2002)

LC Paper No. CB(1)185/02-03(07) -- Information paper provided by the Administration
(tabled and issued after the meeting on 8 November 2002 vide LC Paper No. CB (1) 254/02-03)

34. At the invitation of the Chairman, the Director-General of Telecommunications (DG/Tel) introduced the background of the increase in Mainland IDD access charge and the setting of the level of access charge for telephone services by external carriers in two different countries or regions. He also outlined certain terms contained in the agreements between external carriers for cross-border communications that would complicate the payment arrangement of access charge and gave an account on how the volume of telephone traffic from Hong Kong to the Mainland and vice versa would affect the net cost of settlement by the external carriers.

35. On TA's role, DG/Tel confirmed that the external carriers, in negotiating interconnection agreements with their overseas counterparts, were not required to seek approval from, or notify the Telecommunications Authority (TA) of the negotiated terms. The Office of Telecommunications Authority (OFTA) would monitor the progress of the negotiations and would not intervene unless the terms in the interconnection agreements for the delivery of external traffic were inconsistent with the local regulatory framework or international treaties and agreements.

Possible cases of abuse

36. Mr Howard YOUNG noted that the Legislative Council and regulatory authorities in Hong Kong might not be in a position to intervene with the increase in access charge imposed by China Telecom. However, given that telecommunications service was crucial to the economic activities taking place in both Hong Kong and the Mainland with widespread impact on the general public and business establishments, he urged the Administration to look into cases where the external carriers in Hong Kong might have taken advantage of the incident and manipulated their International Direct Dialing (IDD) charges unfairly.

37. Both Mr Albert CHAN and Ms Emily LAU asked whether some external carriers had in fact passed on the additional costs to consumers and

pocketed more profits during the period of confusion. Mr CHAN also sought information on the penalty, if any, applicable to such conduct.

38. In response, DG/Tel explained that most external carriers in Hong Kong announced an increase in IDD tariffs after receiving the notification from China Telecom on 28 October 2002 to increase the access charge from US 2 cents to US 17 cents per minute with effect from 1 November 2002. As the IDD tariff charged by most external carriers was close to cost level, they had factored in the rise into their pricing so as to safeguard their financial position. However, having re-assessed the impact of the increase on overall costs following further discussion with China Telecom on 3 November 2002, those carriers which had previously announced an increase in IDD tariff subsequently announced that they would lower their tariffs or revert to their previous charges.

39. DG/Tel said that while the Administration would make an effort to ensure that no carriers would abuse the IDD charging mechanism, it was believed that as long as there was effective market competition, consumers would switch their subscriptions from those carriers who raised their IDD tariffs unreasonably to other service providers or other forms of communications. Under the current market mechanism, the operators were at liberty to raise their IDD tariffs but would risk losing their customers. However, if individual operators sought to increase their tariffs on the grounds that they had to meet additional cost in access charge to the Mainland when in fact, the increase in tariffs was higher than the additional cost incurred, TA might need to intervene and investigate whether the carriers had given misleading information in breach of the law or their licence conditions. He confirmed that OFTA was currently monitoring the situation and would investigate into possible cases of abuse. In this regard, Ms Emily LAU requested OFTA to report the outcome of investigation to the Panel.

Terms of agreements

40. Mr Howard YOUNG sought clarification on whether the level of access charge, extent of fluctuation and discounts on access charge negotiated by individual countries/regions were subject to conditions laid down by international bodies such as International Telecommunication Union (ITU) or World Trade Organization (WTO). He further enquired whether China Telecom had any obligation under WTO to the effect that it could not offer any concession to external carriers in Hong Kong.

41. In reply, DG/Tel advised that the increase in access charge from US 2 cents to US 17 cents per minute by China Telecom was applicable not to Hong Kong alone but to all external carriers worldwide. It was feasible for China Telecom to impose a lower access charge to external carriers in Hong Kong, similar to the cases of frontier rates, which were lower than the normal IDD access charges that existed between certain countries at the border areas in

Europe and in America. DG/Tel informed members that at the international level, the subject of resolving disputes over access charge had been deferred to the next round of WTO meetings which were yet to commence. Apparently, for the time being, if China Telecom reached certain access charge agreements with Hong Kong carriers which were different from those reached with other countries/regions, this might not necessarily give rise to breaches of terms of WTO. ITU did recommend certain levels of access charge but they were not binding on member states.

42. Noting that the level of access charge was a bilateral commercial agreement between external carriers for cross-border communications, Mr YEUNG Yiu-chung enquired if China Telecom had breached its agreement with local carriers by announcing a rise in access charge unilaterally. As the increase in access charge was announced at very short notice, the external carriers in Hong Kong might not have sufficient time to prepare for the increase. As such, he urged OFTA to reflect to the Mainland authority concerned the need to allow external carriers in Hong Kong sufficient time for preparation. He also considered that the Administration should find out the rationale for the rise in access charge.

43. In response, DG/Tel explained in broad terms that if the existing agreement on access charge between China Telecom and an external carrier in Hong Kong was still in force beyond 1 November 2002, then, the announcement made by China Telecom to increase the access charge unilaterally might have breached the agreement unless there were terms in the contract providing otherwise. DG/Tel confirmed that OFTA had approached the Ministry of Information Industry and expressed its concern on the matter. It would continue to negotiate with the Mainland counterpart with a view to minimizing the impact of the increase in access charge on Hong Kong.

Section 6B of Telecommunications Ordinance (TO)

44. Referring to section 6B of TO (Cap 106), which was also included as a special condition in the licences issued to local external carriers, Ms Emily LAU enquired whether the announced increase of IDD tariffs by external carriers in response to the rise of access charge imposed by China Telecom had raised regulatory concerns under section 6B of TO. She also sought clarification on TA's regulatory role under the aforesaid section. Given that China Telecom was the major telecommunications operator in the Mainland, Ms LAU was concerned whether such dominance would result in whip sawing over the level of access charge.

45. In response, DG/Tel pointed out that section 6B of TO was binding on local licensees only. He considered that as the sudden surge in IDD access charge announced by China Telecom applied to all external carriers in Hong Kong instead of on a selective basis which favoured or disadvantaged certain

carriers, it would unlikely give rise to the effect of substantially distorting competition in the supply of external telecommunications services between the Mainland and Hong Kong. As such, section 6B of TO was not applicable in the present case. However, in case a particular local carrier entered into an agreement or arrangement with an overseas counterpart the terms of which would disadvantage other local carriers providing external services, then, TA might have grounds to intervene under section 6B(2) of TO.

46. Notwithstanding that section 6B of TO might not be relevant in the present case, Ms Emily LAU was concerned that the sharp increase in IDD tariffs would adversely affect local consumers.

47. In response, DG/Tel advised that it might be possible for two governments to negotiate for a reasonable level of access charge in the interest of the consumers in their respective jurisdiction. He also recalled that his counterpart in the United States (US) had directed the US external carriers to cap the access charge to a certain level when entering into agreements or arrangements with overseas carriers. Nevertheless, he highlighted that the impact of the increase in access charge on local IDD tariffs would depend on a number of factors including the traffic balance of individual operators, the committed traffic level, etc. In most cases, the increase in cost to the operators was likely to be less than the increase in the access charge.

48. In case a certain external carrier was offered more favourable terms in the agreement on access charge to the extent that it might give rise to the effect of distorting competition, Mr Albert CHAN was concerned about how the Administration could initiate investigation if the carrier licensee refused to disclose information in the relevant agreement on the grounds that it was commercially sensitive data. He further asked if Hong Kong carriers could impose the same rate of access charge as that imposed by China Telecom for incoming telephone calls from the Mainland.

49. DG/Tel confirmed that the TA was authorized under TO to examine the agreements or arrangements on access charge made between local external carriers and external suppliers. Pursuant to section 6B(2) of TO, where the TA reasonably concluded that any agreement or arrangement might substantially distort competition, it might give directions to the licensee providing external services and the licensee should comply with such directions given. However, the TA could not direct an external carrier in Hong Kong to impose the same level of access charge for incoming telephone calls from the Mainland as suggested by Mr CHAN. In fact, the question of imposing the same level of access charge in both directions was a subject of bilateral trade negotiation between two governments, which should better be dealt with at an international forum such as WTO.

50. Upon Mr Albert CHAN's enquiry on the level of access charges imposed by the receiving carriers in other places, DG/Tel provided the following information:

<u>Place</u>	<u>Access Charge per minute</u>
Vietnam	US 58 cents
Cambodia	US 45 cents
Mexico	US 20 cents
Hong Kong	US 2.2 cents
New York	< US 1 cent
London	US 1.4 cents
Tokyo	US 2.85 cents
Singapore	US 1.8 cents

DG/Tel further advised that according to D-140 of ITU-T Recommendation "Accounting rate principles for the international telephone service", access charge was determined in accordance with the rate of telephone penetration. Hence, developing countries, which usually had a lower rate of telephone penetration, could impose higher access charges than developed countries. In fact, the access charge of US 17 cents per minute imposed by the Mainland, which had a telephone penetration rate between 10% to 20%, was lower than the recommended level.

51. As the IDD traffic in the direction of Hong Kong to the Mainland from January 2002 to September 2002 amounted to 1.61 billion minutes, which was much higher than the flow of traffic from the Mainland to Hong Kong, Ms Emily LAU sought the Administration's view on the impact of the current increase in access charge, and the possible trend movement of the access charge in the Mainland.

52. DG/Tel said that in his personal view, when a territory underwent economic progress which led to increased market competition, lower access charge would prevail. Hence, with the economic development of the Mainland, major carriers in the Mainland might lower their rates of access charge in the face of increasing market competition. The traffic flow pattern would be dependent on the tariffs of the IDD service on the two ends of the circuit. If the IDD tariffs in Hong Kong were increased following the rise in access charge, it was likely that the use of IDD services and hence outgoing telephone traffic from Hong Kong to the Mainland would fall. Market forces might redirect more telephone traffic to flow from the Mainland to Hong Kong or drive local demand to other forms of communications, e.g. IP phones and leased circuits. Under such scenarios of imbalance in telephone traffic volume, the external carrier in the Mainland might ultimately have to pay a higher net cost of settlement of access charge to the receiving carrier in Hong Kong.

Concluding remarks

Admin 53. Summing up, the Chairman requested the Administration to provide further information on:-

- (a) complaints, if any, about unreasonable increase in IDD tariffs imposed by local external carriers on subscribers, as well as the outcome of TA's investigation; and
- (b) the levels of access charge prevailing in places with frequent telephone traffic to and from Hong Kong.

VIII Any other business

54. There being no other business, the meeting ended at 1:00 pm.