

11 DEC 2002 (WED) 17:35
11-DEC-2002 17:38

HK TELECOMS AUTHORITY

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OFTA
電訊管理局

Your Ref 來稿編號: T229/02 In OFTA C/W 35/1
Our Ref 本局編號:

Telephone 電話: (852) 2961 6688
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11 December 2002

By mail and fax (2877 8570)

Mr Shafi Aboobaker
Chairman
The Society of Hong Kong External Telecommunications Service Providers
302B Hung Kei Mansion
5 - 8 Queen Victoria Street, Central
Hong Kong

Dear Mr Aboobaker,

China Rates - Reduction by FTNS

I refer to the meeting with yourself and members of your Society on 21 November 2002.

Since the meeting, we have continued our discussions with various parties to ensure that the playing field is level.

According to the latest information that we have received from players in the market, including wholesale suppliers, wholesale services to Mainland at 6 - 8 US cents per minute are now available in the market. This, coupled with the recent reduction in the provisional USC to 1.3 Hong Kong cents per minute, should have eased the problem faced by the ETS providers.

Would you please ask your members to provide feedback to me on the current status of the problem.

Yours sincerely,

(MHAU)
for Director-General
of Telecommunications

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TOTAL P. 01



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18 December 2002

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Mr Shafi Aboobaker
Chairman
The Society of Hong Kong External Telecommunications Service Providers
302B Hung Kei Mansion
5 - 8 Queen Victoria Street, Central
Hong Kong

Dear Mr Aboobaker,

China Rates - Reduction by FTNS

I refer to my letter of 11 December 2002.

To date, I have not received any feedback from you or your members in response to my letter.

The market situation is changing as a result of further dialogue with various parties. Please therefore ask your members to provide updated information to OFTA so that we can assess the current status of the problem.

Yours sincerely,

(M H AU)
for Director-General
of Telecommunications

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TOTAL P.01



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18th December 2002

Office Of The Telecommunications Authority

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Wanchai

Hong Kong

By Fax: 28035111

Attn: Mr. M. H. Au-Deputy Director General

Dear Mr. Au,

Re: China Rates- Reduction by FTNS

This refers to your letters of 11th and 18th December 2002.

As per current information available the existing wholesale market for China Termination Rates is in the range of USD 0.0550- USD 0.07. This equates to HK\$ 0.60 –HK\$0.72 per minute (including LAC on occupancy minutes and USC). The prevailing retail price being offered by the FTNS is still below HK\$0.50.

From the above it is evident that the gap has narrowed since November 5th 2002 which is a some relief to our members. However, to compete effectively, our members still have to subsidize losses on the China traffic. Further, during this period, The ETS operators have suffered substantial losses not only in cash, loss of customers but also in customer relationships. That “the level playing field” concept has been violated is a now a fact and the FTNS operators have taken maximum advantage of the special discounts offered to them by their China Partners. The fact also remains that part of the bilateral traffic is ETS operator originated and we did not obtain any share of the benefit. It is of concern to us that the regulator’s actions, if any, were slow and not clearly visible; also that the regulator has not put forward any long term solutions to avoid a repetition of such an occurrence.

We do appreciate the time and attention given to us by yourself and your team members during this period. However, we trust that the regulator will continue



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to monitor this situation and will establish some visible solutions to avoid a further erosion of the 'Level Playing Field Concept' and put in measures to protect the ETS industry from being subjected to such disadvantages.

Thanking you

With regards

Shafi Aboobaker

Chairman



電訊管理局

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24 December 2002

Mr. Shafi Aboobaker
Chairman
The Society of Hong Kong External Telecommunications Service Providers
302B Hung Kei Mansion
5-8 Queen Victoria Street
Central
Hong Kong

Dear Mr. Aboobaker,

Retail Rates for External Service to Mainland China Offered by External Fixed Network Operators in Hong Kong

I refer to your letter dated 18 December 2002 to our Mr. MH Au.

In your letter, it was mentioned that "[t]he prevailing retail price being offered by the FTNS is still below HK\$0.50."

However, according to the information we collected, as of 20 December 2002, neither the major external fixed network operators nor PCCW-HKTC offer retail external service to Mainland China at prices lower than HK\$0.5. (Please refer to the "Standard Rate" of the following table)

These operators do offer competitive retail rates for promotion, but these promotional rates are applicable for specified non-peak hours and are expected to last for a certain period of time only. The lowest promotional rate was noted to be HK\$0.34 per minute. However, this rate is applicable to calls made to Mainland fixed line numbers only. (Please refer to the "Restrictions on Promotion Rate" of the following table)

Promotional rates Offered by Major External Fixed Network Operators
(As of 20 December 2002)

FTNS Operator	Promotional Rate (per min)	Restrictions on Promotion Rate	Standard Rate (per min)
PCCW-HKT Telephone Limited	HK\$0.68	- 7pm-9pm every day only - Valid till 31 Dec 2002	HK\$0.99-2.59
Hutchison Global Communications	HK\$0.34	- Rate for 7pm-9pm valid till 31 Dec 2002 - Rate for other hours valid till 31 Jan 2003 - Promotion applicable to calls made to mainland fixed line numbers only. Calls made to	HK\$0.88-1.88

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		mainland mobile numbers are charged at standard rate	
Wharf New T&T Limited	HK\$0.47	- 9pm to 9am on Mon-Fri, Sat/Sun/public holidays whole day only	HK\$0.97
New World Telecommunications	HK\$0.93-1.35	- 9pm to 9am on Mon-Fri, Sat/Sun/public holidays whole day only	HK\$1.74-1.93
Hong Kong Broadband Network Limited	HK\$0.49-0.75	- 9pm to 9am on Mon-Fri, Sat/Sun/public holidays whole day (except 7pm-9pm) only - Valid till 31 Dec 2002	HK\$0.75-1.12

Based on the above information, I cannot agree with the ETS Society saying that *"the prevailing retail price being offered by the FTNS is still below HK\$0.50"*

Should you have any questions, please do not hesitate to contact the undersigned.

Yours sincerely,



(Helen Lai)
for Director-General
of Telecommunications