

**立法會**  
**Legislative Council**

LC Paper No. CB(1)1979/04-05

Ref. CB1/PL/ITB

**Panel on Information Technology and Broadcasting**

**Meeting on 11 July 2005**

**Background brief on consultation exercise on the regulation of  
Internet Protocol (IP) Telephony**

**Purpose**

This paper sets out the background of the public consultation concerning the regulation on IP Telephony<sup>1</sup> and summarizes members' concerns expressed at the Panel meetings when it exchanged views with the Administration and deputations.

**Background**

2. Currently, there is a global trend for carriers to upgrade their networks to "Next Generation Networks", which are networks utilizing IP to deliver integrated voice, data, fax, video and multi-media services to users. Under the existing licensing regime, only fixed carriers (FCs) are allowed to provide real time telephony services, irrespective of the technology they adopt. In fact, some of the FCs have already launched their IP Telephony services. Given this development, the Administration has considered it necessary to review whether it is desirable to apply the existing licence conditions in FC licences, which were devised some years ago for conventional telephony services, to IP Telephony services as well. In considering the appropriate level of regulation that should be applied to IP Telephony, the Administration is mindful of the need to encourage the adoption of new technologies and network upgrading by existing carriers and to safeguard the interest of consumers.

**The consultation**

3. On 4 October 2004, the Office of the Telecommunications Authority (OFTA) launched a public consultation to invite views on the regulation of IP

---

<sup>1</sup> "IP Telephony" or "Voice over IP" generally refers to the transmission of voice over the Internet or IP-based network, instead of the conventional telephone network.

Telephony. In the consultation, OFTA discussed the applicability to IP Telephony services of the Fixed Telecommunications Network Service (FTNS) or FC licence conditions relating to conformance to numbering plans, number portability, any-to-any connectivity, interconnection, calling line identification, directory enquiry service, access to emergency services, backup power supply and quality of service.

4. The consultation paper also discussed the impact of IP Telephony services on the operation of the existing mechanisms for interconnection charges, local access charges and universal service contribution. As IP Telephony enables the separation of network operation from service provision, the public was also consulted on whether Public Non-exclusive Telecommunication Service (PNETS) licensees should be permitted to provide IP Telephony services.

## **Major issues of concern**

### Members' views

5. In exchanging views with the Administration and depositions on the proposed regulation of IP Telephony, members urged for an early confirmation of the regulatory framework for IP Telephony services so as to give certainty to existing and prospective operators. The Administration agreed that early finalization and implementation of the regulatory framework could enhance certainty, prevent unnecessary disputes and help new investors to make informed decision on whether or not to enter the market. The Administration planned to draw up the regulatory framework in the first half of 2005.

6. To ensure that the licensing and regulatory regime for the IP Telephony services would be conducive to encouraging technological development and investment, some members opined that the set of conditions applicable to IP Telephony services needed not be identical to those under the FTNS or FC licence. The Administration also considered that owing to the wide range of functionalities and quality of service for IP Telephony services, it might not be appropriate to apply the aforesaid conditions without modification. However, if IP Telephony service was intended to serve as a substitute for the traditional telephony service, the public would expect that such service should also be subject to the same level of regulation as applicable to FTNS or FC licensees.

7. While welcoming the development of new technologies, Panel members were keen to ensure that consumers' welfare would be adequately safeguarded. They urged that IP Telephony service providers should fully inform consumers of the functions, scope and limitations of their services. For example, consumers should be informed that for IP Telephony service which required the installation of equipment powered by electricity supplied from the customer premises, customers would not be able to access emergency call services during power outage.

8. Some members were concerned that as IP Telephony service might take place over any broadband connection located anywhere, it would not be feasible to provide the agencies operating emergency services with information on the location of the caller unless the IP Telephony service provider had information on the current location of the customer. Since any delay in identifying the physical location of those IP Telephony service users who had made emergency calls through the "life-line" system might give rise to serious consequence, members urged the service providers to seek technical solutions to solve problem.

#### Deputations' views

9. In submitting views to the Panel, industry players generally advocated for a light-handed regulatory approach on IP Telephony services because the present telecommunications market was already very competitive. They considered that the market should be allowed to determine its own appropriate structure. While there were divergent views on whether a new type of licence should be required for provision of IP Telephony service and whether PNETS licensees should also be allowed to provide such service, most of them considered that IP Telephony should have equivalent or comparable standards to traditional telephone services. The existing FTNS licensees considered that IP Telephony service providers should pay an access charge to the network operators. Otherwise, polices in favour of "free-riders" would reduce the incentive for network investment.

10. To enable customers to switch between traditional and IP Telephony services, both the industry players and Consumer Council urged that the telephone numbers should be portable between the two services. To identify the physical location of a IP Telephony service user, some industry players suggested that it might be feasible to trace it based on the IP address. A voluntary agency providing "life-line" system service was keen to ensure that their clients, mostly senior citizens, could still make use of the system to make emergency calls during power outage.

#### **Latest position**

11. The consultation has ended on 4 December 2004. The TA has issued a Statement on the regulation of IP Telephony on 20 June 2005. In order to facilitate the market to grasp the business opportunities ahead, as well as providing adequate consumer protection in the deployment of new technologies, OFTA has adopted a forward-looking approach in setting the regulatory framework for the development of IP Telephony. The Administration will brief the Panel on the details of the proposed regulatory framework at the forthcoming meeting on 11 July 2005.