

Regulation on Internet Protocol (IP) Telephony

Consultation Paper

Executive Summary

“IP Telephony” or “voice over IP” are public telecommunications services for voice transmissions, which may be integrated with the transmissions of data, text, image, video or multimedia communications, over the Internet or managed IP-based networks. IP Telephony is a new type of services emerging in the market. The primary objective of this consultation paper is to seek the views and comments of the industry and interested parties on the regulation of IP Telephony.

2. In this consultation, OFTA is of the preliminary view that the minimum and proportionate level of regulation should be applied to IP Telephony subject to preserving the achievement of certain social objectives. The “technology neutrality” principle should be upheld. Regulation should not obstruct the adoption of new technologies. The choice of, and pace of migration to, the services based on the IP technology, should be left to the consumers and the market.

3. Although OFTA advocates the minimum level of regulation on IP Telephony, it may be necessary for IP Telephony services that are intended to be used as substitutes to the conventional public telephone services to meet certain minimum conditions (e.g. any-to-any connectivity, access to emergency services and number portability) in order to protect public interest and avoid consumer confusion. As IP Telephony may be regarded as a new class of services different from the traditional circuit-switched telephone service regulated under the Fixed Telecommunications Network Services (FTNS) Licence, the set of conditions applied to IP Telephony services needs not be identical to those under FTNS Licences.

4. In this consultation, OFTA discusses the applicability to IP Telephony services of the FTNS 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. OFTA consults the industry on whether

these conditions should be applied to IP Telephony in full or after modifications.

5. The consultation discusses the impact of IP Telephony on the operation of the existing mechanisms for interconnection charges, local access charges (LAC) and universal service contribution (USC). The ability of IP Telephony users to use the service anywhere with a broadband connection inside or outside Hong Kong generates issues relating to provision of information on caller location to emergency services, the definition of “external traffic” for LAC and USC settlement and the pressure on numbering resources under the Hong Kong Numbering Plan.

6. As it is expected that there will be a wide range of IP Telephony services with different functionalities and quality of service, OFTA considers that the consumers should be given adequate information on any limitations on the capabilities of the IP Telephony services offered in the market so that consumers can make an informed choice.

7. IP Telephony enables the separation of network operation from service provision. IP Telephony services provided by one service provider may be assessed over the broadband connections provided by other operators. Such separation raises the issues of payment of the broadband connection providers by the IP Telephony service providers. This consultation paper discusses the different modes of operation of IP Telephony over the broadband connections and the possible interconnection charges payable with respect to each mode.

8. The separation of network operation from service provision provides opportunities for entry of service-based operators into the market. At present, there are some obstacles against the entry of service-based operators, i.e. scope under existing licences, entitlement to numbering blocks for telephony services and interconnection charging arrangements. This paper consults, among others, the industry on whether service-based operators should be permitted to provide IP Telephony services.

9. Any views expressed in this consultation are preliminary views of the TA only for consultation and do not represent the final position or decision of the TA on the issues. All submissions of comments should be sent by 4 December 2004 preferably in electronic format to iptelephony@ofta.gov.hk of OFTA. Any person who submits views and comments should also provide the

supporting information or justifications and note that the TA may publish all or any part of the submission received and disclose the identity of the source in such a manner as the TA sees fit. Any part of the submission which is considered commercially confidential should be clearly marked. The TA would take such markings into account in making his decision as to whether or not to disclose such information. Submissions in hardcopy, if any, should be addressed to:

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Office of the Telecommunications Authority
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