

NEW WORLD TELECOMMUNICATIONS LIMITED

Speech

Panel on Information Technology & Broadcasting

Meeting on 13 December 2004

Consultation paper on the regulation of IP Telephony

Good afternoon Chairman, LegCo members, ladies and gentlemen.

First of all, on behalf of New World Telecom, I would like to thank the Panel for inviting us to present our views on the future regulation of IP Telephony in Hong Kong.

NWT believes that a new type of licence is required for IP Telephony services. NWT agrees with OFTA's principles of minimal and proportionate regulation and technology neutrality. The market should lead innovation, competition and investment without regulatory obstruction. However, the current licensing system is very restrictive, as it allows only network operators to provide IP Telephony services.

Service-based competition should be allowed and a new type of service-based licence needs to be created to facilitate the growth of IP Telephony. IP Telephony services will deliver additional customer choice, extra functionality and spur competition in telecommunications services delivery.

Licensing

A new type of licence should be created for IP Telephony services so that they will be subject to the control of the *Telecommunications Ordinance*. The licensing terms can be based on the existing PNETS licence for ISPs. An IP Telephony licence, like an ISP licence, should be relatively easy to acquire and contain minimal licensing conditions.

In line with the principle of minimal regulation, IP Telephony services should generally not be subject to regulation. The market should determine quality standards, service features and price.

Consumers must be fully informed of any limitations of IP Telephony services compared with conventional telephony services. Marketing and promotion of IP Telephony services must strictly comply with section 7M of the *Telecommunications Ordinance* which prohibits misleading or deceptive conduct.

If IP Telephony services are marketed as a substitute for traditional PSTN voice services, then those services should meet the equivalent standards of conventional telephony such as (1) any-to-any connectivity; (2) access to emergency services; (3) directory enquiry services, etc. in order to protect consumer interests.

PC-based IP Telephony services which do not use a telephone set are clearly not marketed as substitute for conventional telephony and should not be regulated.

Numbering

We believe that the proliferation of IP Telephony services would put pressure on the numbering resources. Users both in Hong Kong and overseas will try to get Hong Kong numbers, so that international calls made to and from Hong Kong are treated like local calls and bring call cost savings to users.

Fixed network licensees should continue to be allowed to use normal fixed line numbers for IP Telephony services. However to cope with demand, special prefix codes (e.g. 12-digit numbers) should be adopted for IP Telephony service providers.

At this preliminary stage, number porting of special IP Telephony numbers should not be mandated, as there may be technical difficulties in porting extra digit numbers.

Numbering as explained above should be allowed for use with PC-based as well as telephone-based IP Telephony services. Numbering is vital to ensure any-to-any connectivity, so that each user can make calls to and receive calls from any other person who has a telephone service.

It is possible that IP Telephony service providers would apply for fixed carrier licence in order to obtain numbering and interconnection rights. OFTA must ensure that all applications will be evaluated in accordance with the published licensing Guidelines dated 11 January 2002 and with particular regard to the commitment and benefit of the proposed network investment to Hong Kong.

Interconnection

Interconnection is a carrier right only. Service providers do not have rights of interconnection, and should enter into commercial arrangement with a fixed network licensee for access to the PSTN for termination of IP Telephony calls.

IP Telephony services which originate or terminate on the PSTN should be subject to local interconnection charges similar to normal calls within the PSTN.

We submit that if the IP Telephony service provider uses third party broadband access networks to convey the services, any access charge arrangements should be subject to commercial agreement between the parties. Nevertheless and in the absence of such an agreement, the broadband access provider should not be permitted to block the end customer from accessing IP Telephony services offered by a service provider.

There should be room for network operators to commercially agree on interconnection surcharge for delivery of priority voice packet transmission services or superior service levels.

At the same time, OFTA should ensure that standard charging levels are technology neutral and that interconnection charges for the delivery of IP Telephony service to or from a PSTN are no more than that of a traditional PSTN voice call.

To summarize, Hong Kong should promote the advancement and development of its telecoms industry to build an information economy. Other countries are introducing IP Telephony services at this very moment. Hong Kong needs to do the same, by updating its regulatory regime to accommodate IP Telephony services.

Thank you!