

**Consultation Paper on
Reduction of Licence Fee
for Mobile Carrier Licences**

[7 January 2005]

Introduction

Under section 7(2)(b) of the Telecommunications Ordinance (Cap.106) (“the Ordinance”), the Secretary for Commerce, Industry and Technology (“the Secretary”) may by regulations prescribe the general conditions and fees payable for a carrier licence other than an exclusive licence. Before making a regulation under section 7(2) of the Ordinance, the Secretary is required under section 7(3) of the Ordinance to, by notice in the gazette, consult members of the public who are interested in the matter.

2. On 10 January 2001, after having followed the necessary consultation process, the Secretary made the Telecommunications (Carrier Licences) Regulation (the “CR”)(Cap.106V). The CR provides for, *inter alia*, the fees payable for mobile carrier licences and has commenced operation from 1 April 2001.

3. The Secretary now proposes to make an amendment regulation to revise the fees payable for the mobile carrier licences other than the mobile carrier (restricted) licences (hereafter referred as “mobile carrier licences”). By this consultation paper, the Secretary explains the proposal and seeks views from members of the public.

The Proposal

4. Part 3 of Schedule 3 of the CR (Annex A) sets out the licence fees payable on the issue and on the anniversary of the issue of mobile carrier licences in each year while the licences remain in force. The annual fees payable include, *inter alia*, fees for “mobile stations used by customers of the service” (see items 1(d) and 1(e) of Annex A). At present, the annual fee payable is \$4,000 for the first 200 mobile stations and \$2,000 for every additional 100 mobile stations or less. Hence, the annual fee payable for each mobile station is broadly equivalent to \$20.

5. According to the statistics¹ of the Office of the Telecommunications Authority, the number of mobile phone subscribers (including activated prepaid SIM cards) has increased by 8.7% from 6,531,881 in December 2003 to 7,102,485 in October 2004. With an increasing number of mobile stations, the licence administration cost per mobile station has decreased correspondingly. The Secretary therefore proposes to reduce the level of fees for items 1(d) and 1(e) in Annex A from \$4,000 to \$3,600 and from \$2,000 to \$1,800 respectively. This is equivalent to a reduction from \$20 to \$18 per mobile station per year. The other items in Annex A shall remain unchanged.

6. The Secretary proposes to implement this reduction with effect from 1 May 2005, subject to the enactment of the amended Regulations.

Implementation

7. In accordance with section 7(3) of the Ordinance, the Secretary will consider the representations made by members of the public. After consideration of the comments received, the Secretary will proceed to amend the CR under section 7(2) of the Ordinance.

8. Apart from the licence fee payable by the mobile carrier licensees in accordance with the CR, the following licence fees are also payable by telecommunications operators on the same basis of “mobile stations used by customers of the service”:

- (a) the licence fee payable under the public radiocommunications service (PRS) licences² issued for the operation of public mobile radiotelephone services (PMRS), personal communications services (PCS), trunked radio services, radiolocation services, mobile data services, and paging services – this fee is set by the Chief Executive in Council under the Telecommunications Regulations; and
- (b) the licence fee payable under the public non-exclusive telecommunications service (PNETS) licences issued for the operation of mobile virtual network

¹ Source: “Key Statistics for telecommunications in Hong Kong” as published in the web-site of the Office of the Telecommunications Authority.

² The six mobile operators operating the second generation (2G) mobile services, trunked radio operators, radiolocation service operators, mobile data service operators, and paging operators are currently holding PRS licences.

services – this fee is set by the Telecommunications Authority (TA) under section 7(6) of the Ordinance.

The Government intends to reduce the above two licence fees to the same level and at the same time as that proposed for mobile carrier licences. As mentioned in paragraph 5 above, the number of mobile phone subscribers has increased by 8.7% since December 2003. The Government's proposal to reduce the licence fees by 10% is broadly in line with the percentage growth in mobile phone subscribers. Apart from the mobile operators, trunked radio operators, radiolocation service operators, mobile data service operators, paging companies, and mobile virtual network operators will also benefit from the fee reduction.

Invitation for Comments

9. The Secretary would welcome comments on the proposal set out in the consultation paper. All submissions should be made in writing and should reach the Commerce, Industry and Technology Bureau on or before 28 January 2005. The Secretary reserves the right to publish any views and comments and reveal the identity of each submission. Any part of the submission which is considered commercially confidential should be marked. The Secretary would take such markings into account in making his decision as to whether to disclose such information or not. Submissions should be sent to:

By post : Commerce, Industry and Technology Bureau
c/o Office of the Telecommunications Authority
29/F, Wu Chung House
213 Queen's Road East
Wan Chai, Hong Kong
(Attn: Accounting Officer I(A), Ms. Athena Ho)

By fax : 2803 5111

By e-mail: akwho@ofta.gov.hk

Commerce, Industry and Technology Bureau
7 January 2005

Annex A

FEE PAYABLE FOR MOBILE CARRIER LICENCES OTHER THAN MOBILE CARRIER (RESTRICTED) LICENCES

1. The annual fee payable on the issue and on the anniversary of the issue of a mobile carrier licence (excluding a mobile carrier (restricted) licence) in each year while the licence remains in force shall be the sum of-
 - (a) for the 1st to the 50th base station installed for the service \$1000 per base station
 - (b) for the 51st to the 100th base station installed for the service \$500 per base station
 - (c) for the 101st base station installed for the service and any additional base stations \$100 per base station
 - (d) for the 1st 200 mobile stations or less used by customers of the service \$4000
 - (e) for every additional 100 mobile stations or less used by customers of the service \$2000
 - (f) for every 1 kHz of frequency assigned to the licensee \$50

2. For the purpose of determining the fees payable under section 1, the number of stations and the width of the frequency assigned shall be those authorized or in service at the time when the mobile carrier licence concerned is issued or on the anniversary of the issue.