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By mail and by fax (2121 0420)

Miss Erin Tsang
Clerk to Panel
Information Technology and Broadcasting
Legislative Council
Legislative Council Building
8 Jackson Road, Central
Hong Kong

Dear Miss Tsang,

Panel on Information Technology and Broadcasting

**Letter from Hong Kong Broadband Network Ltd on
“Quality of Service on Residential Broadband Internet Access
Services Project Conducted by
Office of the Telecommunications Authority (OFTA)”**

I refer to your letter dated 25 January 2007 addressed to Ms. Shirley Chung of the Commerce, Industry and Technology Bureau on the captioned. We are pleased to respond as follows.

General Comments

The Quality of Service topic mentioned in your letter is actually completely unrelated to the disruption of *external* telecommunications services caused by earthquake damage to submarine cables in December 2006. Accordingly if the Panel would like consider issues to do with the public being kept informed about the *local* end of broadband internet service provision we would ask that the matter be added as a specific agenda item for a future Panel meeting.

The Administration will then be able to provide a full background paper

for Panel members on the topic of consumer information provision generally, and the issues to do internet and other telecommunications services in particular.

We are aware that various companies within the industry have different views about the value and relevance of technical testing and who should be responsible for providing particular kinds of consumer information, so we would also recommend the Panel invite industry deputations to any discussion.

The particular subject matter of the agenda item also needs to be inclusive of the issue of certain technical testing which was done in 2005 and the issues arising from the 2007 market survey on consumer broadband use, the raw results of which have just been provided to OFTA. We would therefore suggest the Panel's topic should be "*The provision of consumer information in relation to residential broadband use in Hong Kong*".

We would also suggest that from the Panel's point of view, the optimum time for discussing this matter will be after OFTA's completion of initial consultations with the industry working group on the survey results. Further details about the survey are provided below.

QoS technical study ("QoS Study") in 2005

OFTA announced in January 2005 the details of a programme intended to address QoS concerns in the provision of residential internet access services. This step was taken after intensive discussions with the industry about the persistently high level of consumer complaints about poor service.

The programme principally involved independent testing of the technical performance of the four major broadband internet service providers ("BISPs") with regard to five technical key performance indicators ("KPIs"), all of which were related to the speed of the broadband services.

In response to OFTA's invitation for proposals, OFTA received a total of four submissions from consultants. Each proposal was evaluated against four selection criteria including (i) proposal compliance, (ii) project cost, (iii) proposal response to industry's comments and (iv) locations of the measurement subjects were examined. After evaluation, the University of Science and Technology R&D Corp. Ltd. ("HKUST") was chosen to carry out the QoS Study in March 2005.

Following the appointment of the consultant, OFTA held further

discussions with the BISP s involved, including Hong Kong Broadband Network Limited (“HKBN”), to refine the measurement arrangement. HKUST conducted a pilot test over two months before the first round of measurements began in September 2005. In October 2005 individual test results of the first round of testing were given to the BISP s involved for review and comments.

After examining the test results, two BISP s, one of which was HKBN, raised strong objections to the publication of the test results and threatened legal action if OFTA proceeded with the publication. Reasons for the objections included the potential distortion to competition from OFTA seemingly “endorsing” or “recommending” particular broadband services based on the measurements results of single technical parameters relating to “speed”, when other relevant technical and non-technical factors may be more relevant to consumer choice of broadband service.

Another concern raised was whether the test results would fairly represent the technical performance of the broadband services tested because of the sample size and the fact that broadband speed could be affected by factors beyond the control of the broadband service operators.

After hearing representations from the parties concerned and having considered the objections (including those from HKBN) which still persisted after several rounds of consultation on alternative formats of presentation, the Telecommunications Authority (“TA”) finally resolved that it was premature to publish the 2005 results, and in a TA Statement in May 2006 announced that OFTA would undertake specific research into consumer awareness of internet access technical matters and what they consider relevant in terms of choosing and using residential broadband services.

Broadband consumer survey

The Social Science Research Centre of the University of Hong Kong (“HKU”) was commissioned by OFTA to conduct the survey of residential broadband use. A working group with representatives from the four BISP s including HKBN was set up in May 2006. The survey has recently been completed and the report has been submitted by HKU in late January 2007.

The working group will meet shortly to discuss the survey results and the TA will then consider what, if any, technical and other information needs to be available for consumers to assist their make better-informed purchasing decisions in

the future, and how this is best provided. Subject to any interest which the Panel may take in the matter, OFTA expect that a report on way forward will be published in April or May of this year.

Yours sincerely,

(Bernard Hill)
for Director-General of Telecommunications

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Secretary for Commerce, Industry and Technology
(Attn: Mr. Tony Li)

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