

**Consumer Council's Submission to the
Legislative Council
Panel on Information Technology and Broadcasting on
Review of Regulatory Framework for Universal Service Arrangements**

(July 18, 2007)

1. The Consumer Council (CC) welcomes the opportunity to express its views on the review relating to universal service arrangements.
2. CC agrees with the Government that it is necessary to maintain universal service arrangements. With telecommunications service being an essential daily service, it is important to ensure that affordable basic telephone services continue to be available to all people in all areas of Hong Kong.
3. Universal service arrangements affect consumers at large, CC would like to share its views on the following issues relevant to consumers for consideration in the formulation of the new universal service arrangements:
 - Scope of universal service;
 - Competitive provision of universal services; and
 - Funding arrangements for universal services obligation.

Scope of universal services

4. CC believes that the voice services will remain a basic utility for everyone in the foreseeable future so the telephony services ("public switched telephone service") should remain as part of the Basic Service.
5. In addition, with the increasing demand for instant information or update via access to the Internet, the public will expect the scope of universal service to be extended to cover broadband Internet access services, and CC would urge the Government to re-consider its inclusion into the scope of universal services.
6. Since certain areas in Country Park trails can be without mobile phone coverage, it is important to continue the provision of help-lines in Country Park trails for making emergency calls free of charge. Likewise, payphone services should be retained as alternative services for consumers particular in emergence situations. CC supports introduction of a mechanism for the Government to direct additions to, or removal from, the list of payphones eligible for universal service contribution (USC) if circumstances justify, after consultation with the community.
7. It has been proposed that the universal service obligation (USO) would no longer cover areas (or buildings) connected by more than one fixed network operator. Whilst CC supports in principle withdrawal of USO in areas where competition exists, CC would invite the Government to consider criteria such as tariff level other than just the number of service providers in the areas concerned in determining whether there is genuine competition.

8. CC also supports the proposal that if the universal service provider is receiving contribution to fund USO, any revenue generated from advertisements placed on its public payphone kiosks or through the business activities to provide services should be contributed back to the USO fund and be included as relevant revenue in calculating USC.

Competitive Provision of Universal Services

9. CC shares the view that universal service should be provided by the most cost-effective operator irrespective of whether they are mobile or fixed operators. Competitive provision should be introduced to the universal service arrangements such that the universal service will be provided by operators for different areas that can provide the service in the most cost-effective manner.

Funding Arrangements of USO

10. Since IP Telephony traffic is increasingly bypassing the circuit-switched network with the advent of IP Telephony provided over broadband connections, current USC mechanism based on IDD minutes delivered through the circuit-switched network should be reviewed. In view of the important role assumed by mobile telecommunications services in Hong Kong, it seems more equitable that the mobile telecommunications operators also share in the contribution towards provision of the universal services.

11. Considering the tight number resource, CC believes that using allocated number resources as basis for USC sharing could be more effective to prompt operators to make better utilization of the number resource and take up a fair share of the obligation, i.e. USC sharing should be based on numbers allocated to all fixed and mobile services operators. CC welcomes the Government proposal to review the funding arrangements when the fixed-mobile interconnection charge would be deregulated towards the end of April 2009.