

Hong Kong Cable Television Limited

Submission to the Legislative Council's Subcommittee on Subsidiary Legislation to introduce a Unified Carrier Licence under the Telecommunications Ordinance

I. Introduction

- 1.1 Hong Kong Cable Television Limited (“HKCTV”) appreciates the opportunity to express its further comments on the Telecommunications (Carrier Licences)(Amendment) Regulation 2008 (“Subsidiary Legislation”) following the meeting of the Subcommittee on 14 June 2008. HKCTV reiterates that the proposed increase of fee from \$7 to \$8 per customer connection is unreasonable in view of the continued profit record of the OFTA Trading Fund and the introduction of an annual \$3 number fee is premature and unnecessary.

II. Proposed increase of fee from \$7 to \$8 per customer connection

- 2.1 If a holder of Fixed Carrier Licence converts its licence to a Unified Carrier Licence, the subscriber-based fee component will increase from \$7 to \$8 per customer connection. This is unreasonable bearing in mind that the OFTA Trading Fund made a profit of \$75.8 million, \$74.3 million and \$92.6 million in the year ended 31 March 2005, 31 March 2006 and 31 March 2007 respectively. We do not understand why the Government still needs to raise the subscriber-based fee of fixed carrier in view of the continued profit at the Trading Fund in the past three years and the cutthroat competition in the fixed line market. Given the OFTA Trading Fund has been profitable, OFTA should not raise the subscriber-based fee component of fixed carriers unless the OFTA Trading Fund is facing a deficit instead of a surplus.
- 2.2 During the LegCo Subcommittee meeting on 14 June 2008, OFTA purported to justify the increase in the subscriber-based fee on the ground of recovery of costs in administering fixed carrier licence system such as costs of determination of operators dispute. The Commerce and Economic Development Bureau (“CEDB”) and OFTA have not provided a convincing case and supporting data in justifying an increase of fee of \$1 for each customer connection which represents a rise of 14% in such fee.

III. Proposed introduction of an annual \$3 number fee

- 3.1 In relation to the proposed \$3 number fee, OFTA pointed out during the LegCo Subcommittee meeting on 14 June 2008 that, as a responsible regulator, OFTA had to adopt measures to prolong the lifespan of the 8-digit plan before it was too late. OFTA further argued that it was urgent to enact the amendments in the Subsidiary Legislation for the issue of Unified Carrier Licence to operators of Broadband Wireless Access (“BWA”) so that prospective BWA operators could calculate the costs of engaging in BWA business including the \$3 number fee.

In our view, the Government had exaggerated the number problem and there is no need to rush the amendments through LegCo. In the first place, according to the statistics provided by OFTA to LegCo, there was still 17.2 million numbers which could be allocated to operators and there was no immediate shortage of numbers. Secondly, unlike the Government's suggestion that the amendments form a package, the Government could postpone or cancel the introduction of the \$3 number fee without causing delay to the development of BWA. The Government could request LegCo to approve the Subsidiary Legislation without the introduction of the \$3 number fee. Prospective operators of BWA would take into consideration of the possible introduction of the \$3 number fee in their business plan.

- 3.2 HKCTV considers that the proposed introduction of an annual \$3 number fee as premature and unnecessary. As the members of the LegCo Subcommittee had suggested, OFTA and the industry should work together to ensure efficient use of numbers. There should be consultation on measures (some of which were raised in LegCo Subcommittee meeting) such as the increase of current utilization ratios and reduction of the number of block size of numbers to be allocated from 100,000 to a smaller number. In HKCTV's view, these measures will be more effective in dealing with efficient use of numbers than the proposed annual \$3 number fee.

IV. Conclusion

- 4.1 In short, we urge the LegCo to request the Government to re-consider the annual licence fee of Unified Carrier Licence. Given the OFTA Trading Fund has been profitable, OFTA should not raise the subscriber-based fee component of fixed carriers unless the OFTA Trading Fund is facing a deficit instead of a surplus. The LegCo should also ask the Government to freeze the introduction of an annual \$3 number fee and consult fixed carriers and mobile carriers on the adoption of measures in promoting the more efficient use of numbers.

Hong Kong Cable Television Limited
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