

**Legislative Council Panel on
Information Technology and Broadcasting**



**Submission by PCCW-HKT Telephone Limited on
Public Consultation on the Proposed Unified Carrier Licences**

14 January 2008

1. PCCW-HKT Telephone Limited ("PCCW") would like to take this opportunity to put forward its preliminary views concerning matters contained within the Consultation Papers issued by the Secretary for Commerce and Economic Development ("SCED") and the Telecommunications Authority ("TA") on the proposed Unified Carrier Licence ("UCL"). PCCW will be in a better position to indicate to the Panel its comprehensive views on this matter closer to the due date for responses to these two consultations.
2. At the outset, PCCW does not accept the fundamental assumption that it is necessary to create a new licence in order to facilitate the development of converged fixed-mobile telecommunications services. Even today, under the present licensing regime with separate fixed carrier and mobile carrier licences, there is nothing to prevent operators from offering cross-platform services. Indeed, such services are beginning to appear and, in his Consultation Paper, the SCED recognizes that an operator has been able to provide an integrated third generation cum Wi-Fi service using the current set of licences¹.
3. Further, Ovum, in a report issued in May 2006² indicated that, amongst a group of twelve Asia-Pacific countries examined, Hong Kong stood out as one of the markets most ready for fixed-mobile convergence and that there were no significant regulatory restrictions preventing the introduction of such services.

¹ See paragraph 7 of the SCED's Consultation Paper.

² Report entitled: *Fixed-Mobile Convergence in Asia-Pacific: Hope or Hype?*

4. There is no evidence to suggest that fixed-mobile convergence will not happen without the creation of a UCL. The development of converged fixed-mobile services will be driven by the market regardless of whether any changes are made to the present licensing regime.

5. The proposals in this consultation are complex and result in significant changes to the costs and responsibilities of operators within the industry. This is described in brief below:

6. *Licence Fees.* The paper seems to suggest that there will be little change in the fee structure, or that any change may be revenue neutral. This is not the case. The SCED proposes to introduce a new component of the licence fee relating to telephone numbers, which have been allocated to the licensees. Previously, operators were not charged for obtaining telephone number blocks. This sudden change results in considerable expense to operators who are presently holding blocks of telephone numbers which they may not be able to return to the TA because some of the numbers within the block have already been assigned to customers.

7. Other changes to the licence fees have also been proposed, resulting in all probability that the total fee for fixed line operators will increase, whilst that for mobile operators will be reduced. This is unjustified absent a transitional period and a method being developed to return unused numbers within an allocated numbering block.

8. *Automatic Transplanting of Special Conditions.* The TA has proposed that certain and unique Special Conditions already attached to PCCW's existing fixed carrier licence should be carried over to its future UCL. These include the requirement for PCCW to seek prior ex ante approval from the TA for any revisions made to its tariffs for certain wholesale services, and the requirement to notify the TA in respect of any discounts it proposes to offer on its tariffs. These requirements do not exist in the licences of other operators.

9. These discriminatory clauses are now more than three years old. No evidence exists to explain why, in an ex post world, these clauses should continue to apply. Ex ante regulation is outdated and unnecessary given the competitive state of the market today. Any continuance of such discriminatory treatment must be empirically justified. All holders of the UCL should start off on the same footing with the same set of Special Conditions attached to their licences. There is no reason today (or in

2010, when PCCW will be required to obtain a UCL) to single out PCCW for discriminatory treatment. Properly, the decision as to whether or not PCCW needs to retain the requirement to seek approval for revisions to its wholesale tariffs and notify the TA about its impending tariff discounts should be made outside of this consultation exercise on the UCL. PCCW will be asking the TA shortly to do that.

10. This paper briefly outlines PCCW's major concerns arising from its preliminary review of the Consultation Papers. PCCW will submit its more detailed comments in response to the Consultation Papers in due course after a more thorough review of the proposals.

Submitted by
PCCW-HKT Telephone Limited
10 January, 2008