

WHARF T&T LIMITED

**SUBMISSION TO THE LEGISLATIVE COUNCIL PANEL ON
INFORMATION TECHNOLOGY AND BROADCASTING
FOR MEETING ON 13 MAY 2008 ON
THE PROPOSED CREATION OF A UNIFIED CARRIER LICENCE UNDER
THE TELECOMMUNICATIONS ORDINANCE**

- 1 The Commerce and Economic Development Bureau (“CED”) and the Telecommunications Authority (“TA”) have submitted a brief to members of the Legislative Council (“Legco”) Panel on Information Technology and Broadcasting on the outcome of the public consultations launched by CED and the TA in December 2007 on the creation of a Unified Carrier Licence (“UCL”), LC Paper No. CB(1)1456/07-08(06).
- 2 In the brief, CED and the TA advised that they will introduce UCL “*as FMC is an imminent reality, a unified licensing framework is urgently required to enable the operation of the full range of fixed, mobile and converged services under a single harmonized licensing regime*”. Further CED and the TA advised that they would adopt the fee proposal as set out in their consultation paper.
- 3 Wharf T&T believes that the overall increase of licence fee for fixed carriers is unfair and discriminatory and the introduction of annual \$3 number fee is premature and unnecessary.
- 4 CED claimed that in setting the level of fee, the relevant consideration is to recover the administrative costs of the TA. But as rightly pointed out by the Honorable Mr. Sin Chung-kai, SBS, JP at the meeting held on 14 January 2008 at Legco, OFTA’s Trading Fund actually shows that OFTA not only has recovered its costs but had in fact profited beyond the target return on average net fixed assets. With such a strong financial position on its Trading Fund, OFTA should reduce the licence fee for the benefit of the consumer and for the healthy growth of the industry.
- 5 Whilst the TA explained on 14 January 2008 that she has to take into account the projected future growth in the industry in setting the fee, she has not provided any information to substantiate her projection. Given that the telecommunications market has been deregulated for many years and with the competitive state of the market today, there should not be more effort required from OFTA, particularly with the light-handed regulatory regime. Where the TA accepts any request for determination on any disputes (for which the hurdles are huge), the concerned carriers would reimburse OFTA’s costs.
- 6 The increase of licence fee is unfair and discriminatory, as it increases the costs of providing fixed services but lowers the costs of providing mobile services. The mobile carriers have again enjoyed reduction of their licence fee and yet it is the mobile services that have driven the greatest demand for numbers. There is no

guarantee that the savings for the mobile carriers would be passed on to the consumers. On the other hand the consumers would be better served with continuing investment from the fixed carriers in advanced technology and innovation than paying more licence fee.

- 7 The introduction of number fee is premature and unnecessary. The need to promote more efficient use of numbers is regrettably founded on the wrong assumption that there is now a shortage of 8 digit numbers. This is not the case. Fixed line growth has been stagnant and mobile penetration has already reached 150%, therefore the demand for more numbers would not be as great as before. In any case there are plenty of idle numbers according to OFTA's records - of the numbers allocated, the utilization is below 60%. And there are measures that could be implemented to retrieve and recycle un-used numbers, including using paging number level which is heavily under-used and shortening the active period of pre-paid SIM and so forth.
- 8 Instead of introducing the number fee now, OFTA should earnestly work with the industry to formulate measures to promote more efficient use of numbers. Any measures would require significant investment by carriers to enhance their existing platforms. Introducing the number fee at this stage would deter investments in enhancing existing platforms to implement measures to efficiently use numbers.
- 9 In light of the above, we urge the Government to look for ways to reduce the licence fees for fixed carriers so as to encourage further investment in technology and innovation. The number fee should be deferred to allow carriers to invest in enhancing their existing platforms to implement more practical and effective measures to efficiently use number resources.
- 10 Finally CED and the TA should clearly define their expected outcome with the UCL and number fee, and should review and report regularly to Legco and the public on the actual outcome.

Submitted by Wharf T&T Limited
9 May 2008