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**Review of the Public Non-Exclusive
Telecommunications Services (PNETS) and Services-
Based Operator (SBO) Licensing Regimes**

**Briefing for the Legislative Council Panel on
Information Technology and Broadcasting**

8 June 2009

Office of the Telecommunications Authority

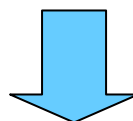
Existing Licensing Regimes (1)

Scope	Public telecommunications services	
Provider	Facility-based operator	Service-based operator
Major type of licences	- Carrier licence	- PNETS licence - SBO licence

Existing Licensing Regimes (2)

- **Existing PNETS licensing regime**

- ▶ Introduced in the 1980's when local and external fixed telecom services provided under exclusive franchises
- ▶ For licensing of “non-exclusive” services
- ▶ 8 major categories of services (excluding local voice telephony services)



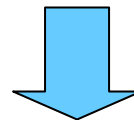
- Need for review because: -
 - ◆ All telecommunications services are liberalized
 - ◆ Name of “PNETS” has become obsolete
 - ◆ Bring in line with latest market and regulatory environment



Existing Licensing Regimes (3)

- **Existing SBO licensing regime**

- ▶ Introduced in 2006 for authorisation of local fixed voice telephony services provided by any technology including IP telephony
- ▶ Provision of service to mobile customers restricted since mobile data was not as popular as it is today
- ▶ SBOs may also offer most of the services covered by the PNETS Licence (except for mobile related services)



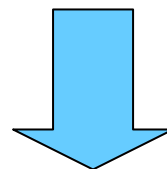
- Need for review because: -

- ◆ Rapid development on mobile data and IP telephony
- ◆ Overlaps between PNETS and SBO licences



Modified SBO Licence (1)


- **With a view to:**
 - ▶ streamlining of licensing regime
 - ▶ enabling a service-based operator to provide a variety of telecom services under a single SBO Licence
 - ▶ ensuring the regulatory regime be conducive to further market development



Recommend to subsume the outdated PNETS Licence under the SBO Licence



Modified SBO Licence (2)

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1. Scope of service
 2. Licence conditions
 3. Licence validity period
 4. Migration arrangement
 5. Licence fee



1. Scope of service

- **To subsume the PNETS Licence under SBO Licence by:-**
 - ▶ expanding the scope of the SBO licensing regime
 - ▶ creating a new “Class 3” type of services to replace the PNETS Licence
- **To expand the scope of the SBO Licence for Class 1/Class 2 service by**
 - ▶ removing mobility restriction, i.e. allowing fixed, mobile and/or converged services under the Modified SBO Licence



2. Licence conditions

- **Existing Obligations harmonised**
 - ▶ Harmonise licence conditions of PNETS and SBO licences
 - ▶ Based on existing licence conditions of SBO licence with relevant PNETS licence conditions transplanted
- **New Obligations**
 - ▶ New special condition for customer protection
 - to comply with codes of practice with respect to service contracts
 - to submit consumer disputes for handling under an independent dispute resolution scheme



3. Licence validity period

- **Similar licence validity period**
 - ▶ Same as the existing PNETS and SBO Licences:-
 - With a licence validity period of 1 year
 - Renewable on an annual basis



4. Migration arrangement

- **New Application**

- ▶ Will be processed under the Modified SBO licensing regime

- **Existing Licences**

- ▶ Existing PNETS and SBO licences remain in force until their next annual renewal date when
 - the Modified SBO licence will replace PNETS licence
 - existing SBO licences will be amended to adopt the same licence conditions as the Modified SBO licence
 - existing SBO licensees may apply to extend the scope of service upon conversion of licences

5. Licence fee (1)

Licence / Service	Existing	Proposed
<i>Fixed Annual Fee</i>		
SBO Class 1	\$90,000	\$25,000
SBO Class 2	\$25,000	\$25,000
PNETS Licence / SBO Class 3	\$750	\$750
<i>Variable Annual Fees</i>		
Base Station Fee per base or fixed station under PNETS Licence / SBO Class 3	\$750	\$750
Mobile Station Fee under PNETS Licence / SBO Class 3	\$8	\$8
Number Fee per subscriber number	\$7 (for SBO) or \$3 (for PNETS)	\$3



5. Licence fee (2)

- **To align the fixed fee for Class 1 services (currently at \$90,000) to that for Class 2 services (i.e. \$25,000)**
 - ▶ Simplify licence administration
 - ▶ Expect similar resources in administering Class 1 and Class 2 licensees
 - ▶ Lower cost of providing Class 1 services
- **To reduce number fee from \$7 to \$3 for each subscriber number**
 - ▶ Bring the level of number fee in line with that currently applied to other types of licensees (i.e. Unified Carrier, Mobile Virtual Network Operator, Radio Paging Operator))



Summary

- **Under the Modified SBO Licence,**
 - ▶ Fees for existing PNETS and SBO licensees will remain the same or decrease
 - licence fees for new Class 3 services similar to existing PNETS licence
 - licence fees for Class 1 / Class 2 services reduced
 - ▶ Single licence with harmonised fees and licence conditions for all service-based operation
 - ▶ Service-based operators with flexibility of providing greater variety of services in response to market demand
 - ▶ Pro-investment and pro-competition regulatory framework bringing benefits to consumers with a wider choice of innovative services



Public Consultation

- **Consultation period**
 - ▶ 2 months (11 Mar to 10 May 09)
- **8 submissions have been received**
 - ▶ Respondents are in general supportive of the proposal of subsuming the PNETS Licences under the SBO licensing regime
 - ▶ A number of them suggest fine-tuning of certain proposed arrangements



Way Forward

- To take all the views into account before finalizing the new SBO licensing framework
- To issue a statement setting out the TA's decision
- To publish the Modified SBO Licence in the Government Gazette
- To take about 1 year to migrate the existing SBO and PNETS licences to the new regime

Thank you