



By mail and by fax (2840-0269)

13 August 2014

Hon WONG Yuk-man

Chairman, Panel on Information Technology and Broadcasting

Legislative Council

Legislative Council Complex

1 Legislative Council Road

Central, Hong Kong

Dear Mr WONG,

Re: Rollout of Fixed Broadband Networks in Remote Areas

I refer to the letter of the Panel dated 30 July 2014 concerning the captioned matter. Our replies are as follows:

In the letter, the Panel stated that:

- (1) At a meeting between members of the Legislative Council (LegCo) and the Tsuen Wan District Council (DC), some DC members pointed out that there was, at present, no fixed broadband network coverage in Chuen Lung Village, Kau Wah Keng San Tsuen and Yau Kom Tau Village of the district, and requested that the Communications Authority

("CA") should include a licence condition requiring the provision of telecommunications services with the same coverage as and comparable quality to those in urban areas to recognised villages in the district when issuing licences to fixed network operators ("FNOs"). In addition, in approving FNOs to roll out broadband networks at hot spots, the CA should impose a bundling condition requiring the FNOs to roll out the networks in less populated villages nearby at the same time; and

- (2) The LegCo members attending the meeting considered that with only one FNO providing broadband services in some villages, consumers had no choice at all. In some remote areas such as Cheung Chau, users of fixed network services even have to pay higher service fees than urban users. Such an arrangement is unfair. The Administration should play a more active role in the matter, and provide the required infrastructure so as to assist the FNOs in rolling out the relevant networks.

Reply

In respect of comment (1), as far as we understand, PCCW-HKT Telephone Limited and Hong Kong Telecommunications (HKT) Limited at present provide fixed broadband services to areas such as Chuen Lung Village, Kau Wah Keng San Tsuen and Yau Kom Tau Village in the Tsuen Wan district by means of ADSL technology which transmits data through copper wires.

Residents may check with the FNO concerned about the details of the services provided at specific locations in the district.

In addition, we have to point out that the local fixed telecommunications network services (“FTNS”) market has been fully liberalised since January 2003, and there is no pre-set limit on the number of licences to be issued. Currently, there are five major FNOs in Hong Kong rolling out self-built networks in the territory to provide residential FTNS (including fixed broadband services)¹. The CA has all along been adopting the market-driven approach to encourage and promote competition among FNOs for the provision of various telecommunications services to meet the users’ needs. In a fully liberalised market, the provision, coverage and service speed (among others) of telecommunications services are determined primarily by the commercial considerations of telecommunications operators and market demand. As such, we consider that the suggestions of including a licence condition requiring the provision of telecommunications services with the same coverage as and comparable quality to that in urban areas to recognised villages in the district when issuing licences to FNOs, and imposing a bundling condition requiring FNOs to roll out broadband networks in less populated villages, are not in line with the market-driven regulatory policy of the Administration.

¹ The five major FNOs include PCCW-HKT Telephone Limited and Hong Kong Telecommunications (HKT) Limited, New World Telecommunications Limited, Hong Kong Cable Television Limited, Hutchison Global Communications Limited and Hong Kong Broadband Network Limited.

In respect of comment (2), to encourage and assist FNOs to roll out their networks, the Office of Communications Authority (“OFCA”) has all along been providing facilitation measures, such as coordinating with government departments concerned to help FNOs roll out their networks in public streets, government bridges and tunnels as well as new towns, and explaining to building management offices and owners’ corporations about the rights and obligations of FNOs in gaining access to buildings to roll out their networks, as well as the advantages of such access to residents, so as to expedite the expansion of network coverage and access to the users’ premises.

Regarding the point made by some LegCo members that broadband services of some villages were provided by only one FNO, as mentioned above, the local FTNS market has been fully liberalised, and in a fully liberalised market, the provision, coverage and service speed of fixed broadband services are determined primarily by the commercial considerations of FNOs and market demand. OFCA notes that another major residential FNO, Hong Kong Broadband Network Limited, announced in April 2013 the plan to expand its optical fibre broadband network to village houses and old buildings. In fact, apart from fixed network broadband services, several mobile network operators in the market also offer mobile broadband services with a download speed up to 150 Mbps, thus providing users an alternative option.

As regards the practice of FNOs charging higher service fees in

certain areas, it should be noted that service fees (including those for broadband services) charged by FNOs are not subject to regulation in a fully liberalised market. It is purely the commercial decision of the FNOs to charge differentiated prices among different customer groups, and such a practice is not uncommon in the market. As the regulator of the communications sector and the enforcer of the competition provisions under the Telecommunications Ordinance (TO), the CA in general will not interfere with the telecommunications operators' freedom of pricing. In fact, between 2011 and 2012, the CA received a number of complaints alleging that a certain telecommunications operator was suspected of breaching the competition provisions under the TO by raising its service fees substantially in areas where it was the sole broadband services provider and charging different monthly fees in different areas. Having examined the cases, the CA was of the view that as the residential fixed network broadband services market had been fully liberalised, and that several major FNOs were providing services in the market with no systemic obstacle to prevent competitors from entering the market, the pricing strategy adopted by the FNO concerned had not deviated from the normal operation of the market, nor did such strategy have any anti-competitive purpose or effect. Therefore, after conducting enquiries into the complaints, the CA concluded that the pricing practices in question were not in breach of the competition provisions under the TO.

Thank you very much for your valuable comments. If you have any further enquiries about the above matters, please contact our Mr. Jackie

Tang at 2961 6301.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'S. T. Cheuk'.

(Sanda CHEUK)

for Director-General of Communications