

LC Paper No. CB(1)404/18-19(01)

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28 December 2018

Mr Daniel SIN
Clerk, Legislative Council Panel on
Information Technology and Broadcasting
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong
(Fax : 2978 7569)

Dear Mr Sin,

Introduction of a New Fee Component under Unified Carrier Licences

At the meeting of the Legislative Council Panel on Information Technology and Broadcasting held on 12 November 2018, Members requested the Government to provide information on the system of licence fees in overseas regulatory regimes for the provision of Wireless Internet of Things (“WIoT”) services. Our reply is as follows —

Licence fee arrangements adopted by different economies vary from place to place, depending on their licensing regimes for telecommunications services. Jurisdictions such as Australia and Singapore require an entity to obtain a licence before it is authorised to provide telecommunications services, whereas in jurisdictions such as the United Kingdom, a general authorisation scheme is adopted whereby an entity may provide telecommunications services without a licence, subject to its compliance with relevant statutory requirements.

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Even for those jurisdictions whose licensing regime is similar to that in Hong Kong, their licence fee arrangements can still be different. For instance, Australia will issue a Carrier Licence ("CL") to an eligible entity for the provision of WIoT services, and charges each (CL) holder an annual licence fee based on the cost of regulating the telecommunications licensee plus the licensee's pro-rata share of "eligible revenue". In the case of Singapore, it will issue a Facilities-Based Operator ("FBO") Licence to an eligible entity for the provision of WIoT services, and charges each holder of a FBO Licence an annual recurrent licence fee based on the annual gross turnover of a FBO subject to a minimum amount.

In Hong Kong, the licence fee charged by the Communications Authority ("CA") for a particular type of licence (such as the Unified Carrier Licence or the WIoT Licence) comprises a fixed fee component and variable fee components (based on the amount of spectrum assigned, the number of radio base stations, the quantity of numbers allocated, the number of customer connections, the number of WIoT devices, etc.), the level of which will be reviewed regularly and, if necessary, adjusted in order to recover the operating costs incurred by the Office of the Communications Authority ("OFCA") in administering the respective types of licences.

Our general observation is that the licensing regimes and licence fee arrangements of different economies are developed pursuant to their specific policy and regulatory considerations, which may not be directly applicable nor comparable to one another.

Taking into account market developments and the financial situation of OFCA, the Government and the CA will continue to regularly review the licence fee levels, including that of the WIoT device fee.

Yours sincerely,



(Miss Crystal CHIU)

for Secretary for Commerce and Economic Development

c.c. DG-Com (Attn: Ms Christine CHIM, Prin Regulatory Affairs Mgr)