

**For discussion on
8 June 2020**

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

**Latest Progress of the Implementation of the Subsidy Scheme to
Extend Fibre-based Networks to Villages in Remote Areas**

Purpose

This paper briefs Members on the latest progress of the implementation of the “Subsidy Scheme to Extend Fibre-based Networks to Villages in Remote Areas” (Subsidy Scheme).

Background

2. The Commerce and Economic Development Bureau and the Office of the Communications Authority (OFCA) briefed Members on the Subsidy Scheme¹ at the Panel meeting in May 2018, and received support from the Panel. Subsequently, the Finance Committee (FC) of the Legislative Council (LegCo)² approved a funding commitment of \$770 million to subsidise fixed network operators (FNOs) to extend fibre-based networks to villages in remote areas.

3. The Subsidy Scheme targets remote villages which are currently located far away from the existing fibre-based backbone networks of FNOs and where broadband services are delivered at a speed of 10 megabits per second (Mbps) or below, covering nine districts in the New Territories and on outlying islands (including North District, Sai Kung, Tai Po, Sha Tin, Yuen Long, Tuen Mun, Tsuen Wan, Kwai Tsing and Islands) and benefitting some 110 000 villagers in 235 villages³.

¹ Panel paper file reference CB(4)1036/17-18(07)

² FC paper file reference FCR(2018-19)40

³ When compiling the list of villages to be covered under the Subsidy Scheme, we have considered the villages specified in the Rural Representative Election Ordinance, the List of Recognized Villages

4. Under the Subsidy Scheme, the FNOs concerned are required to roll out fibre-based lead-in connections to the vicinity of the entrances of the villages concerned, and three submarine fibre-based cables connecting Lamma Island from Hong Kong Island, Cheung Chau from Lantau Island, and Peng Chau from Lantau Island respectively. After the roll-out of fibre-based networks, the broadband speed at the villages concerned can be increased to at least 25 Mbps. Stability of service can also improve⁴, benefitting villagers and visitors to the countryside. Infrastructure will also be provided for the deployment of other telecommunications services (including 5G mobile and Wi-Fi services), laying a foundation for different types of telecommunications developments.

5. The ensuing paragraphs elaborate on the work progress and latest position of the implementation of the Subsidy Scheme by the Government.

Latest Progress of the Implementation of the Subsidy Scheme

6. We grouped the 235 villages covered under the Subsidy Scheme into six tender projects (i.e. Projects 1 to 6) based on their geographical distribution and conducted tender exercise for these projects. The list of villages covered under the Subsidy Scheme is at **Annex**.

7. In June 2019, OFCA issued tender documents to invite eligible FNOs⁵ to bid for the six projects under the Subsidy Scheme, and received proposals submitted by two FNOs for five of the projects in September 2019. We evaluated the proposals according to the procedures stipulated in the tender documents, including assessing the financial status of the tenderers, whether the proposals meet the essential requirements stipulated in the tender documents, the service commitments made by the tenderers, and the amount of subsidies requested by the tenderers.

under the New Territories Small House Policy promulgated by the Lands Department, the views collected during consultation with LegCo, the relevant district councils and rural committees, and the latest information provided by FNOs on network coverage in villages.

⁴ If the villagers reach an agreement with an FNO to allow the latter to roll out fibre-based networks within the village, the broadband speed can further increase substantially to a level which is comparable to that in the urban areas (e.g. 500 Mbps or 1 000 Mbps).

⁵ This refers to those FNOs which have obtained approval from the Lands Department to lay telecommunications facilities on Government land.

8. After assessment of the proposals, we awarded Project 2 (involving part of Tai Po District and part of Sai Kung District) and Project 5 (involving Lamma Island of Islands District) to Hong Kong Telecommunications (HKT) Limited (HKT); and Project 1 (involving North District), Project 3 (involving part of Sha Tin District, part of Tai Po District, Yuen Long, Tuen Mun, Tsuen Wan and Kwai Tsing Districts) and Project 4 (involving part of Sha Tin District and part of Sai Kung District) to HGC Global Communications Limited in November and December 2019 respectively.

9. Subsequently, we made technical adjustments to Project 6 (involving Lantau Island, Cheung Chau and Peng Chau) and conducted a re-tender exercise in January 2020. The project was awarded to HKT in late May 2020.

Way Forward

Network Roll-out

10. Selected FNOs are now applying for various statutory permits and approvals for excavation works as well as roll-out of fibre-based networks and submarine fibre-based cables. OFCA will continue to maintain communication with the relevant Government departments regarding the latest progress of the Subsidy Scheme, and will co-ordinate with the Government departments concerned on matters relating to applications for permits and approvals by FNOs, with a view to expediting the commencement of network rollout works within this year.

11. We will closely monitor the implementation progress of the Subsidy Scheme. Subsidies will only be released upon completion of relevant milestones of works by the selected FNO in accordance with the tender specifications and the commitments made in its proposal, in order to ensure that the subsidies are used properly for achieving the policy objectives of the Subsidy Scheme. If the selected FNO fails to complete the relevant works and provide services in accordance with the committed timeframe, we may defer payment of subsidies, deduct the amount of subsidies, or call on the performance bond pursuant to the terms and conditions of the tender documents.

12. It is expected that the newly-built fibre-based networks will be extended to the villages concerned in phases from 2021 onwards.

Service Commitments

13. Besides rolling out fibre-based lead-in connections to the villages concerned, selected FNOs have made additional service commitments for some of the villages, e.g. providing broadband services at a speed of 1 000 Mbps or above, installing Wi-Fi hotspots within the common area of villages for provision of free Wi-Fi services and providing high-speed broadband services to the villages concerned at the prevailing market prices during the first three years upon project completion, thereby further benefiting villagers.

Introduction of Competition

14. To introduce competition, selected FNOs are required to open up at least half of the capacity of the network facilities and submarine fibre-based cables subsidised under the Subsidy Scheme for use by other FNOs for free. Such a requirement can allow other FNOs to also provide broadband services to the villages concerned by sharing the use of the subsidised facilities, thereby offering more choices to the villagers. Service charges are expected to be able to peg at a competitive level under the market mechanism.

15. Selected FNOs are required to promulgate relevant arrangements for sharing the use of the facilities concerned, expedite the processing of other FNOs' applications for sharing, and submit reports to OFCA regularly on the latest situation of sharing the facilities concerned. We will provide assistance to the FNOs concerned as appropriate, and will issue relevant guidelines to them where necessary.

Conclusion

16. The Government will continue to monitor the implementation progress of the Subsidy Scheme to ensure that selected FNOs will complete the relevant works and provide services in accordance with the requirements and timeframe specified in the tender documents and the

commitments made in their proposals, so that villagers in remote areas can enjoy fibre-based broadband services as early as possible.

Advice Sought

17. Members are invited to note the content of this paper and provide comments.

**Communications and Creative Industries Branch
Commerce and Economic Development Bureau
Office of the Communications Authority
June 2020**

Annex

List of Villages Covered by the Subsidy Scheme

Tender project	District	Name of covered villages
1	North District	<p>Cheung Lek, Liu Pok, Ma Tso Lung Shun Yee San Tsuen, Tak Yuet Lau, Lo Wu, Ping Che (including Ping Che and Ping Che Kat Tin), Lei Uk, Chow Tin Tsuen, Wo Keng Shan, Ping Yeung, Nga Yiu Ha, Tong Fong, Kan Tau Wai, Nga Yiu (including Muk Wu Nga Yiu and Nga Yiu), Chuk Yuen, Heung Yuen Wai, Tsung Yuen Ha, Kai Kuk Shue Ha and Nam Hang Mei, Fung Hang, Wo Hang Tai Long, Yim Tso Ha and Pok Tau Ha, Wu Shek Kok, Shek Chung Au (including Lap Wo Tsuen), Tong To (including Tong To Ping Tsuen), San Tsuen, Shan Tsui, Kau Tam Tso, Wu Kau Tang (including San Uk Tsuen, San Uk Ha, Sam Ka Tsuen, Ho Pui, Leng Pui, Lo Wai and Tin Sam), Lai Chi Wo, Kap Tong, Sam A, Sai Lau Kong, Mui Tsz Lam, Lin Ma Hang, Wang Shan Keuk San Tsuen, Sha Tau Kok Market (West Upper), Sha Tau Kok Market (West Lower), Ma Tseuk Leng (including Ma Tseuk Leng Sheung and Ma Tseuk Leng San Uk Ha), Nam Chung (including Luk Keng Lam Uk, Nam Chung Lo Uk, Nam Chung Cheng Uk, Nam Chung Yeung Uk, Nam Chung Lei Uk, Nam Chung Cheung Uk and Tai Wan), Luk Keng Chan Uk, Luk Keng Wong Uk, Tai Tong Wu, Ap Chau, Kat O, Kuk Po, Sz Tau Leng, Tan Chuk Hang (including Tan Chuk Hang Lo Wai), Leng Pei Tsuen, Leng Tsui (including Ma Mei Ha Leng Tsui), San Uk Tsai, Kan Tau Tsuen, San Tong Po, Lau Shui Heung, Hok Tau Wai (including Hok Tau Pai), Ko Po (including Ko Po and Tai Wo), Shung Him Tong (including Shung Him Tong (East) and Shung Him Tong (West)), Wa Mei Shan, Hung Leng, Ma Mei Ha, Kwan Tei North (60 villages)</p>
2	Part of Tai Po District	<p>Ko Tong Ha Yeung, Hoi Ha, Pak Sha O, Pak Sha O Ha Yeung, Ko Tong, Lai Chi Chong, Sham Chung,</p>

Tender project	District	Name of covered villages
	and part of Sai Kung District	Pak Tam Au, Tai Tan, Tan Ka Wan, Uk Tau, Ko Lau Wan, Chek Keng, Sai Wan, Tai Long (including Tai Long Wai and Ham Tin Wai), Pak A, Pak Lap, Tung A (including Sha Kiu Tau), Pak Tam, Pak Tam Chung, Ping Tun, She Tau, Shek Hang, Tai Po Tsai, Tam Wat, Wong Mo Ying, Tsak Yue Wu, Wong Keng Tei, Wong Yi Chau, Yim Tin Tsai (30 villages)
3	Part of Sha Tin District, part of Tai Po District, Yuen Long, Tuen Mun, Tsuen Wan and Kwai Tsing Districts	Kau To, Ma Liu, Wong Chuk Yeung, Kwai Tei New Village, Pai Tau (including Tin Liu), Ying Pun Ha Tsuen and Chuk Hang Tsuen, Lin Au Cheng Uk and Lin Au Lei Uk, Mui Shue Hang, Po Sam Pai, Sha Lo Tung Cheung Uk, Tai Yeung Che, A Shan, Yuen Tun Ha, Lai Pek Shan San Tsuen, Ta Tit Yan, Pun Shan Chau, San Tau Kok, Tin Liu Ha (including Sheung Tin Liu Ha and Ha Tin Liu Ha), Pak Nai Village, Ha Pak Nai Tsuen, Kap Lung Tsuen, Lui Kung Tin Tsuen, Fung Ka Wai, Sha Kiu Tsuen, Tin Shui Wai (I), Ha Wan Tsuen, Lok Ma Chau, Tai Sang Wai, Yau Tam Mei (I), Tai Kiu, Tin Fu Tsai, Fu Tei Tsuen (including Fu Tei Sheung Tsuen and Fu Tei Ha Tsuen), Fuk Hang Tsuen (Upper), Ho Tin Tsuen, Lung Kwu Tan, Tsing Shan Tsuen, Tseng Tau Tsuen (Lower), Fa Peng, Luk Keng, Chuen Lung (Wang Lung Tsuen), Ha Fa Shan, Pai Min Kok, Tsing Fai Tong New Village, Kau Wa Keng (44 villages)
4	Part of Sha Tin District and part of Sai Kung District	Kong Pui, Kwun Yam Shan, Mau Tat, Mau Tso Ngam, Shap Yi Wat, Mui Tsz Lam, To Tau Wan, Po Toi O (including Tai Wong Kung), Tai Wan Tau, Ma Nam Wat, Man Wo, Tai Lam Wu, Lung Mei, Shan Liu, O Tau, Wo Liu, Hoi Pong Street, Main Street (East), Main Street (West), Man Yee Wan New Village, Po Tung Road (East), Po Tung Road (West), Sai Kung Road (North), Sai Kung Road (South), See Cheung Street, Sha Tsui New Village, Tai Street (East), Tai Street (West), Tak Lung Back Street, Tak Lung Front Street, Kak Hang Tun, O Long, Sha Kok Mei, Tsiu Hang

Tender project	District	Name of covered villages
		(34 villages)
5	Islands District (Lamma Island)	Lo Tik Wan, Pak Kok Kau Tsuen, Pak Kok San Tsuen, Tai Peng Tsuen, Tai Wan Kau Tsuen, Tai Wan San Tsuen, Lo So Shing, Luk Chau, Mo Tat (including Mo Tat Old Village and Mo Tat New Village), Mo Tat Wan, Sok Kwu Wan, Tung O, Yung Shue Ha (13 villages)
6	Islands District (Lantau Island, Cheung Chau and Peng Chau)	Mong Tung Wan, Shap Long (including Shap Long Kau Tsuen and Shap Long San Tsuen), Tai Long, Ngau Kwu Long, Pak Mong, Tai Ho, Man Kok Tsui, Chung Hau (North) (including Chung Hau, Wang Tong and Tung Wan Tau), Chung Hau (South) (including Lai Chi Yuen Tsuen, Yue Kwong Tsuen, Round Table Village and Wan Tsai), Fan Lau, Leung Uk, Nam Tong Sun Tsuen, Yi O, Keung Shan Lower, Keung Shan Upper, Luk Wu, Tai Long Wan, Ngong Ping, San Tau, Sha Lo Wan (including Sha Lo Wan San Tsuen), Sham Shek, Shek Tsai Po (East), Shek Tsai Po (West), Kat Hing Back Street, Kat Hing Street, Tai O Country Side (including Wan Hang Village, Hang Mei and San Tsuen), Tai O Market Street, Tai O Tai Ping Street (I), Tai O Tai Ping Street (II), Tai O Wing On Street (I), Tai O Wing On Street (II), Tei Tong Tsai, Lam Che, Nim Un, Chek Lap Kok New Village, Tei Po New Village, Wong Nai Uk, Ma Wan Chung, Tai Kwai Wan San Tsuen, Pak She San Tsuen, Tung Tai San Tsuen/Bela Vista Villa, Nam She Tong, Round Table 1st Village, Round Table 2nd Village, Round Table 3rd Village, Care Village, Lutheran Village, Lung Tsai Tsuen, Fa Peng, Tai Lung Tsuen, Chung Tsai Tsuen, Ho King Toi, Tai Wo, Nim Shu Wan (54 villages)