

1. Review of LAC & USC is imminent, because:

→ Counting of LAC based on occupancy minutes is 20%-80% more than based on actual billable minutes, making ETS operators pay extra LAC.

The average cost of LAC & USC per minute is HK\$0.25, which could represent more than half of the revenue. It discourages the ETS operators from make any investment and operation locally, even if they are already licensees.

For example: IDD to the USA	HK\$0.38 (currently retail price available)
	-) <u>HK\$0.25</u> (LAC & USC)
	HK\$0.15

This amount of HK\$0.15 has to cover the lease line charge, destination DDD expense, promotional and operational expenses. With deduction of all these costs from revenue, the business is totally non-profitable. At wholesale IDD business, the situation is even severe.

2. Rental of Local Telephone Line should be off-hook with the drop of CWHKT IDD revenue, because

- The 6.7 billion compensation had paid to CWHKT for its release of monopoly right
- CWHKT still dominates local network penetration near 98%.
- Local residents who do not use IDD service should not bear the increased rental of Local Telephone Line.

3. Building Access should be opened to all FTNS

- Due to the scarcity of land, further expansion of cable ducts in most of the older buildings is not possible. Therefore, enabling Type II interconnection is of high importance.
- Realize and monitor 50% of local loop connection.

- Request the property management to allow the FTNS access to the buildings. It'll facilitate the infrastructures of Hong Kong and remove the monopoly on local network. As a result, domestic and international services can be better provided to the public.
- Government should provide guideline and demands FTNS to provide services not only to commercial customers, but to residential customers as well.

#### 4. Anti-competitive price dumping

Listed companies and large corporations sell at below-cost prices to excel other small and medium size ETS operators. If problem persists, Hong Kong people will lack choices and prices will rise eventually. For example, current below-cost IDD rate to USA is HK\$0.38/min.

Provided By Hong Kong External Telecommunication Service Association

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→Note: The line where had made change

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