

For Members' information

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

**Licensing Of Local Fixed Telecommunication Network Services By
Wireless Transmission, External Fixed Telecommunication Network
Services And The Hong Kong Cable Television Limited To Provide
Telecommunications Services**

Purpose

This paper informs Members of the recent licensing decisions by the Telecommunications Authority (TA) in respect of local fixed wireless Fixed Telecommunications Network Services (FTNS) licences, satellite-based and cable-based external FTNS licences, and the FTNS licence for the Hong Kong Cable Television Limited (HKCTV) to provide telecommunications services over its network.

Background

2. On 5 May 1999, the Government announced its policy decisions on the issues arising from the 1998 Review of Fixed Telecommunications to further liberalise the local and external telecommunications facilities market. We briefed this Panel of the policy decisions on the same day. The successful completion of the licensing exercises set out in paragraphs 3 to 6 below has put into effect the policy decisions to progressively liberalise our local and external telecommunications market by bringing in new competitors.

Licensing Decisions

3. By the closing date of 30 September 1999, the TA received a total of 14 proposals for local wireless FTNS licences, 20 proposals for external satellite-based FTNS licences and 14 proposals for external cable-based FTNS licences. The response of the market has exceeded our expectations.

4. After evaluating the proposals against the criteria set out in the

Guidance Notes for the applications issued by the TA, we announced on 18 January 2000 that the TA has decided to issue the following licences -

- (a) Five licences were offered for the operation of the local fixed wireless networks. The new services can be made available to customers within the radio coverage (about 1-2 km radius) of hub sites, covering both residential and commercial buildings. The successful applicants have pledged to provide services within 4 to 16 months upon issue of the licence. **Their total investment would reach HK\$2.8 billion in the first three years of their licence period;**
- (b) Hong Kong Cable TV was granted an FTNS licence to provide telecommunications services over its hybrid fibre coaxial cable network. Its network rollout will pass 1,737,000 premises by end 2002, increasing substantially from 957,000 in end 1999. It plans to launch a cable modem service, which is a broadband service for the Internet, reaching 500 000 customers by end 2000 and 1.2 million customers by end 2002. Its capital investment would involve about HK\$580 million; and
- (c) Twelve external satellite-based FTNS licences were also issued. These operators would increase Hong Kong's external telecommunications capacity by 3 Gigabits per second (Gbps) in the next three years, **involving a total investment of HK\$770 million.**

5. Details of the above licensing decisions announced on 18 January 2000 are set out in the Legislative Council Brief "Licensing of Local Fixed Telecommunication Network Services by Wireless Transmission, External Fixed Telecommunication Network Services by Satellites and the Hong Kong Cable Television Limited to Provide Telecommunications Services" issued on the same day.

6. On 1 February 2000, we announced that the TA had issued "Letters of Intent" (LOIs) to thirteen cable-based FTNS applicants who meet the licensing criteria. The TA intends to issue to the LOI holders external FTNS licences

upon their successful negotiations with other relevant parties and authorities on such matters as construction and maintenance and landing rights, and satisfactory commitments to performance bonds in guaranteeing major milestones. This flexible approach is adopted taking into account the unique circumstances cable-based operators face in investing in such highly capital intensive projects. The external telecommunications capacity of Hong Kong will increase significantly by 384 Gbps in the next three years, compared to our total capacity at 44 Gbps at present, subject to finalisation of agreements with other parties and refinement arising from possible consolidation of the proposed cable systems by the applicants^{Note1}. These projects involve **an estimated total capital investment of about \$9 billion** in the telecommunications infrastructure related to Hong Kong in the first three years. Details of the licensing decisions announced on 1 February 2000 are set out in the Legislative Council Brief “Licensing of Cable-based External Fixed Telecommunication Network Services” issued on the same day.

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^{Note 2} The amount of investment and the increase in capacity are derived from the applicants’ proposals. Since the LOIs are not binding, the investment as well as capacity of the cables may be subject to change, depending on the business arrangement they finally adopt and negotiation with other overseas authorities.