

**For discussion on  
25 February 2004**

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

**Reduction of Licence Fees  
under the Telecommunications Regulations (Cap. 106A)  
and the Telecommunications (Carrier Licences) Regulation (Cap. 106V)**

**Purpose**

This paper briefs Members on our proposal to introduce amendment regulations to reduce the annual licence fees payable for –

- (a) mobile stations under:
  - (i) Public Radiocommunications Services (PRS) Licences
  - (ii) Mobile Carrier Licencesfrom \$24 to \$20 per mobile station; and
- (b) Fixed Carrier Licence for the provision of external services only from \$500,000 to \$200,000

with effect from 1 May 2004.

**Background**

2. Licence fees are collected by the Office of Telecommunications Authority (OFTA) Trading Fund to recover its costs in administering the licences. Some licence fees are prescribed in the Telecommunications Regulations (Cap. 106A), the Telecommunications (Carrier Licences) Regulation (Cap. 106V) and other subsidiary legislation under the Telecommunications Ordinance (Cap. 106). These fees can be amended by way of amendment regulations.

3. Over the past three years, the number of mobile phone subscribers (including activated prepaid SIM cards) has increased from 4.9 million in December 2000 to 6.3 million in October 2003. OFTA estimated that the total number of subscribers (accounts plus the activated prepaid SIM cards) will increase by 3.5% for the year 2003/04. As such, OFTA's licence administration costs per mobile station have decreased.

The Government therefore proposes that this component of licence fees should be reduced from \$24 to \$20 per mobile station per year. Apart from mobile service operators, trunked radio operators, radiolocation service operators, mobile data service operators, paging companies, and mobile virtual network operators will also benefit from the fee reduction.

4. The administration of fixed carrier licences which permit the provision of external services only has been substantially simplified after the initial period of liberalisation. The corresponding costs for administering the licences have decreased. Therefore, the Government proposes to reduce the fee payable for these licences on the issue, and on the anniversary of the issue, from \$500,000 to \$200,000. Other components of the fees payable for fixed carrier licences should remain unchanged.

### **Public Consultation**

5. Before amending the Telecommunications (Carrier Licences) Regulation, the Secretary for Commerce, Industry and Technology is required by the Telecommunications Ordinance to, by notice in the Gazette, consult members of the public who are interested in the matter, and consider the representations received. A public consultation exercise was launched on 9 January 2004 and a total of 11 submissions were received.

6. The submissions are generally supportive of the Government's proposals. Other views and suggestions can be grouped as follows -

<b><u>Views in the Submissions</u></b>	<b><u>Government's Response</u></b>
(a) The proposed licence fee for fixed carrier licences providing external services only should be further reduced to \$50,000 per year.	A further reduction of such licence fee to \$50,000 per year would be significantly below OFTA's costs in administering those licences and is not feasible at this stage.
(b) The proposed licence fee for fixed carrier licences providing external services only should be applicable to fixed carrier licences providing local services.	Administering local fixed carrier services involves many labour intensive activities on the part of OFTA, such as interconnection issues, co-location of exchanges, sharing of costs among

**Views in the  
Submissions**

**Government's Response**

operators, cross-operator charging, road opening, building access related issues, analysis of tariff applications, complaints and disputes handling etc. After reviewing its costs, OFTA considered that there is no room to reduce the licence fee for general fixed carrier licences at this stage.

(c) The “per customer connection” licence fee component for general fixed carrier licences should be reduced.

As above.

(d) There should be an annual review of licence fee for mobile stations.

OFTA will assess on a yearly basis whether there could be scope for reduction of licence fee for mobile stations, and will put forward licence fee reduction proposals as appropriate.

**Way Forward**

7. Having considered the submissions received in the public consultation exercise, the Government intends to take forward the proposals set out in paragraph 1 and make the regulations to amend the Telecommunications Regulations and Telecommunications (Carrier Licences) Regulation.

**Communications and Technology Branch  
Commerce, Industry and Technology Bureau  
18 February 2004**