Extract

立法會
Legislative Council

LC Paper No. CB(1)650/98-99
(These minutes have been
seen by the Administration)

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Legislative Council
Panel on Information Technology and Broadcasting

Minutes of meeting
held on Monday, 9 November 1998, at 2:30 pm
in Conference Room A of the Legislative Council Building

Members present	**:**	Hon SIN Chung-kai (Chairman) Hon MA Fung-kwok (Deputy Chairman) Hon David CHU Yu-lin Dr Hon Raymond HO Chung-tai, JP Hon Eric LI Ka-cheung, JP Hon Fred LI Wah-ming Hon James TO Kun-sun Hon Howard YOUNG, JP Hon YEUNG Yiu-chung Hon Emily LAU Wai-hing, JP Hon CHOY So-yuk Hon Timothy FOK Tsun-ting, JP Hon LAW Chi-kwong, JP
Members attending	**:**	Hon Mrs Selina CHOW LIANG Shuk-yee, JP Hon Ronald ARCULLI, JP
Members absent	**:**	Hon Kenneth TING Woo-shou, JP Prof Hon NG Ching-fai
Public officers attending	**:**	For Item III Mr K C KWONG Secretary for Information Technology and Broadcasting

For Items III & IV

Mr Eddy CHAN
Acting Deputy Secretary for Information Technology and Broadcasting (1)

Mr Gary YEUNG
Acting Commissioner for Television and Entertainment Licensing

For Item IV

Mrs Jessie TING
Deputy Secretary for Information Technology and Broadcasting (2)

Mr T F SO
Acting Assistant Director of Telecommunications

Mr Eddie MAK
Principal Assistant Secretary for Information Technology and Broadcasting (A)

For Items IV & V

Mr S K WONG
Director - General of Telecommunications

Mr Geoffrey WOODHEAD
Principal Assistant Secretary for Information Technology and Broadcasting (E)

Clerk in attendance : Miss Polly YEUNG
Chief Assistant Secretary (1)3

Staff in attendance : Ms Sarah YUEN
Senior Assistant Secretary (1)4

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V Telephone charges of the Hong Kong Telecom (HKT)
(LC Paper No. CB(1)447/98-99)

Tariff revisions

26. In response to members' concern about the possible increase in tariffs for the rental of local telephone lines up to $90 in 1999, DG Tel said that HKT had not yet submitted to the TA its application for tariff revisions for 1999. While assuring members that they would be duly informed when the Administration received the application, DG Tel further explained the planned increase as follows -

(a) With the opening of the external telecommunications market on 1 January 1999, HKT's income from external telecommunications services was envisaged to be reduced to such an extent that it would no longer be able to cross-subsidise the income from rental of local telephone lines.

(b) In order that competition could develop in the local FTNS market, the tariffs for services in this market should reflect costs. The current rental of $68.90 for residential telephone lines was well below its cost of around $120 per month.

(c) As set out in the Framework Agreement of 20 January 1998 between the Government and HKT for the early surrender of the licence of Hong Kong Telecom International (the Agreement), lifting of the price control over HKT was a condition precedent for the Agreement.

27. Some members were not convinced and called for postponement of the planned increase having regard to the present economic downturn. As HKT still had 98% of the market share, the impact of the opening of the external services market on HKT's business were yet to be ascertained. These members considered that if liberalisation was to be used to justify tariff revision, then, HKT should not use this same reason to lay off its staff or cut their wages. They also held the view that local tariffs should be kept below the claimed cost of $120 as a wide range of value-added services could be provided using the same local network.

28. A member questioned the claim that reductions in IDD tariffs as a result of the liberalisation of external services would more than offset rises in local telephone tariffs, pointing out that not all the 80% of residential households which had IDD connection would use IDD service. Along this line, he further proposed that differentiation should be made between households which had IDD connection and those which did not when revising the local tariffs.

Commenting on the proposal and its rationale, DG Tel pointed out that even if local tariffs were increased up to $90, they would still fall short of recovering the $120 cost for providing the local service. It was thus not unfair to subject all households to the same level of tariff increase. Moreover, IDD usage might grow as a result of lower tariffs and that local tariffs in the long run might go down as a result of increased competition upon full interconnection. Nonetheless, DG Tel noted a member's suggestion that the telecommunications operators should be able to charge the disadvantaged groups in the community a lower tariff in return for fewer service options on top of the necessary services. He undertook to give this due consideration as and when he received such a tariff application. He further pointed out that HKT was already providing essential services to clients referred to it by the Social Welfare Department at concessionary rates.

Interconnection

29. Members were keen to ensure that HKT had made reasonable offers to the other FTNS operators which would, in aggregate, extend the reach of Type II interconnection to at least 50% of HKT's residential customers by 1 January 1999. In this regard, DG Tel reported that although only one new FTNS operator had accepted the offer, HKT was deemed to have fulfilled its obligation and the necessary work on the exchanges to implement its offer would be completed by 31 December 1998. Members noted that although HKT had applied for a judicial review of the decision of the TA to determine the terms and conditions of Type II interconnection, commercial settlement of the matter for determination might be possible. Meanwhile, the Administration was also actively liaising with HKT and the other two new FTNS operators in the hope that they too could enter into interconnection agreements with HKT within two to three months.

Payment of interest on prepaid tariffs

30. Members noted that despite the request for information on this area of concern, no information on this issue had been provided by the Administration in its discussion paper.

31. A member was gravely concerned that HKT was being unfair in requiring its customers to prepay three months' tariffs without paying them any interest accrued thereon. In response, DG Tel explained that customers of HKT might, in lieu of pre-paying three months' tariffs, sign up an autopay agreement with HKT for monthly payment of tariffs. The HKT would not require any pre-payment because autopay would save administrative cost and reduce risks of default payment. He further advised that the interest accrued on the pre-paid tariffs was regarded as part of HKT's revenue to be taken into account in ascertaining the financial position of the company, in particular in

determining the USC payable to it. If HKT was required to waive the pre-payment of tariffs or pay interest on prepaid tariffs, it might charge higher tariffs to the detriment of the customers. At the member's request, DG Tel agreed to provide a paper to address his concerns, including information on determining the USC over the years.

Admin.

(*Post-meeting note*: The Administration further advised that an information paper on the prepayment arrangements for telephone tariffs, including the information on the determination of the USC during the past few years, was being prepared. They aimed to provide the information paper to the Panel as soon as possible.)

32. As a possible option, the Chairman suggested that to ensure fairness to both the customers and HKT, the payment due date for the three-month pre-paid tariffs should be set on the 45th day so that the interest accrued thereon would be more or less the same for both the HKT and the customers. Some members, on the other hand, suggested that HKT should, as in the case of other public utilities, collect deposits which were interest-earning from their customers.

33. The meeting ended at 4:30 p.m.