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Press Release

OFTA Clears Way Forward for IP Telephony

The Telecommunications Authority (TA) today (20 June 2005) issued a Statement concluding his views on the regulatory framework for the Internet Protocol (IP) Telephony. This framework aims to facilitate the deployment of IP technology for innovative services and give adequate protection to consumers at the same time.

Different from circuit-switched conventional telephone services, IP Telephony has the potential of integrating voice with data, video and other communications carried partially or wholly over packet-switched IP-based networks. It is also commonly referred to as "Voice over Internet Protocol" or VoIP.

"The thriving of services based on IP technology, which is capable of providing a wide range of voice and innovative multi-media services, is an irreversible worldwide trend. It is expected the advent of the new technology will bring tremendous opportunities to the incumbent operators and new entrants, such as creating new revenue streams from multi-media services, applications and content. The investment in the IP-based networks will also pave the way for the realisation of the Next Generation Networks and enable all operators to compete in the international markets," a spokesperson for the Office of the Telecommunications Authority (OFTA) said.

"Moreover, consumers are able to enjoy wider choice of innovative products at lower prices with the introduction of IP Telephony in the market," the spokesperson continued to say.

"In order to facilitate the market to grasp the business opportunities ahead, as well as providing adequate consumer protection in the deployment of new technologies, OFTA adopts a forward looking approach in setting the regulatory framework for the development of IP Telephony," the spokesperson explained.

Under the two-class licence regime to be introduced, services under Class 1 are required to meet relevant licensing conditions applicable to fixed network operators operating conventional telephone services under Fixed Telecommunications Network Services (FTNS) or Fixed Carrier (FC) Licences. Class 1 services will have all the attributes that consumers now expected from the conventional telephone services. Services under Class 2 are only required to meet minimal licensing conditions in order not to inhibit technological deployment.

"By requiring service providers marketing Class 2 services to identify clearly the services as such, consumers will be able to distinguish readily between the two classes of services and choose those that best suit their needs," the spokesperson said.

The regulatory framework has incorporated measures to protect consumer interests. "In consideration of the special characteristics of the IP Telephony services and the need to safeguard consumer interests, Class 1 and 2 service providers are required to provide backup power supply to the IP Telephony equipment for use by "life-lines" users if the service is to be sold to these users."

"Moreover, we appreciate the expectation of the general public to make 999 calls on telephones. Therefore, Class 1 and Class 2 services using Hong Kong telephone numbers must provide free access to emergency services," the

spokesperson continued.

"As regards allocation of telephone numbers, the TA considers customers of services under Class 1 should use the 8-digit numbers in the numbering ranges currently assigned to the users of the conventional telephone services. The TA has an open mind on whether the same approach, i.e. 8-digit or a longer 10-digit number should be applied to the customers of Class 2 services. A consultation with the Telecommunications Numbering Advisory Committee will be conducted shortly to discuss the way forward," the spokesperson continued.

"IP technologies enable the entry of service operators into the market, in competition with carriers. Under the regulatory framework promulgated, both carriers and service operators may operate VoIP services. This will promote competition and enhance consumer benefits. The framework provides for a level playing field between the two classes of operators. Our principle is that like services should be regulated in like manner. We expect the new service licence for Class 1 and Class 2 service to be available by end of this year, after consultation with the industry," the spokesperson explained.

To implement the new framework, the TA would create a new service licence for service-based operators. OFTA will consult the industry about the detailed licensing conditions. Local fixed FTNS licensees and carrier licensees may continue to operate VoIP services under their existing licences.

"In order to ensure that their services can be rolled out with the minimum of hindrance, Class 1 and 2 service providers should make commercial arrangements with fixed network operators for hosting connections".

The TA Statement on the Regulation of IP Telephony can be downloaded from OFTA's web site at www.ofta.gov.hk.

Background

Under the existing licensing regime, only fixed carriers are allowed to provide real time telephony services, irrespective of the technology they adopt. In fact, some of the fixed carriers have already launched their IP Telephony services. In order to facilitate the further development of the new technology and enable the market to fully embrace the opportunities and benefits brought by the IP Telephony, OFTA took the initiative to clarify the regulatory issues concerned. A public consultation was therefore conducted from October to December 2004 to collect public views on the regulatory framework for the IP Telephony. After studying the 38 submissions received during the consultation period, the TA concluded his views through the publication of the TA Statement today.

Office of the Telecommunications Authority
20 June 2005