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Legislative Council

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Panel on Information Technology and Broadcasting

**Minutes of special meeting
held on Wednesday, 18 July 2007, at 2:30 pm
in Conference Room A of the Legislative Council Building**

- Members present** : Hon Albert Jinghan CHENG, JP (Chairman)
Hon SIN Chung-kai, SBS, JP (Deputy Chairman)
Dr Hon LUI Ming-wah, SBS, JP
Hon Jasper TSANG Yok-sing, GBS, JP
Hon Howard YOUNG, SBS, JP
Hon Emily LAU Wai-hing, JP
Hon Timothy FOK Tsun-ting, GBS, JP
Hon Albert CHAN Wai-yip
- Members absent** : Hon Fred LI Wah-ming, JP
Hon Ronny TONG Ka-wah, SC
- Public officers attending** : Agenda Item I

Mr Frederick MA, JP
Secretary for Commerce and Economic Development

Mr Alan SIU, JP
Deputy Secretary for Commerce and Economic
Development (Communications and Technology)

Mrs Marion LAI, JP
Director-General of Telecommunications

Mr Eric LAM
Acting Assistant Director of Telecommunications
(Regulatory)

Agenda Item II

Mr Alan SIU, JP
Deputy Secretary for Commerce and Economic
Development (Communications and Technology)

Mrs Marion LAI, JP
Director-General of Telecommunications

Mr Eric LAM
Acting Assistant Director of Telecommunications
(Regulatory)

Agenda Item III

Mr Alan SIU, JP
Deputy Secretary for Commerce and Economic
Development (Communications and Technology)

Mrs Marion LAI, JP
Director-General of Telecommunications

Mr Bernard HILL
Assistant Director of Telecommunications
(Competition)

**Attendance by
invitation**

: Agenda Item I

Consumer Council

Ms Rosa WONG
Head, Research & Trade Practices Division

Dr Victor HUNG
Chief Research & Trade Practices Officer

PCCW Ltd.

Mr Stuart CHIRON
Director of Regulatory Affairs

New World Telecommunications Ltd.

Mr Thomas LEUNG
Director, Consumer Market

Asia Satellite Telecommunications Company Limited

Mr S Barry TURNER
General Manager, Engineering

Qualcomm International Inc

Ms Molly GAVIN
Director, Government Affairs

Mr Leslie WONG
Senior Manager, Technical Marketing

Alcatel-Lucent China Limited

Mr Anthony LAM Chung-wah
Director, Integrated Solutions

Mr Donald LAM Wai-tong
Manager, Integrated Solutions

Cable and Satellite Broadcasting Association of Asia

Mr John MEDEIROS
Vice President for
Government Relations and Regulatory Affairs

Mr LAI Wei-han
Regulatory Assistant

Hong Kong Internet Service Providers Association

Mr Lento YIP
Vice President

Hong Kong Information Technology Federation

Mr Francis FONG
Vice President

IT Voices

Mr Chester SOONG Tak-kar
Representative

Agenda Item II

Consumer Council

Ms Rosa WONG
Head, Research & Trade Practices Division

Dr Victor HUNG
Chief Research & Trade Practices Officer

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PCCW-HKT Telephone Ltd.

Mr Stuart CHIRON
Director of Regulatory Affairs

Hong Kong Internet Service Providers Association

Mr Lento YIP
Vice President

Internet Society Hong Kong

Mr Charles MOK
Chairman

Clerk in attendance : Miss Erin TSANG
Chief Council Secretary (1)3

Staff in attendance : Ms Annette LAM
Senior Council Secretary (1)3

Ms Guy YIP
Council Secretary (1)1

Ms May LEUNG
Legislative Assistant (1)6

Action

- I. Release of spectrum for broadband wireless access services**
Submission from deputation/individual not attending the meeting
(LC Paper No. CB(1)2167/06-07(01) -- Submission from Wharf T & T Limited (English version only)

Welcoming remarks by the Chairman

The Chairman welcomed representatives of the Administration, in particular Mr Frederick MA, the newly appointed Secretary for Commerce and Economic Development (SCED), and representatives of the deputations to the meeting.

Briefing by the Administration

- LC Paper No. CB(1)2098/06-07(01) -- Paper provided by the Administration
- LC Paper No. CB(1)1831/06-07(11) -- Third consultation paper on providing radio spectrum to provide broadband wireless access issued by the Office of the Telecommunications Authority on 11 May 2007
(English version only)
- LC Paper No. CB(1)1831/06-07(12) -- Press release issued by the Office of the Telecommunications Authority on 11 May 2007
- LC Paper No. CB(1)2168/06-07(01) -- Powerpoint presentation material provided by the Administration)
(issued via e-mail on 19 July 2007)

2. At the invitation of the Chairman, Director-General of Telecommunications (DG of T), with the aid of power-point presentation, briefed members on the consultation paper issued by the Office of the Telecommunications Authority (OFTA) on 11 May 2007 on the deployment of broadband wireless access (BWA) in Hong Kong. She highlighted the major points as follows:

- (a) The objectives of the Third Consultation Paper, consequential to the two preceding consultation exercises conducted in December 2004 and August 2005, were to invite views from the industry and interested parties on the proposed use of the 2.3 GHz band for BWA deployment and other related issues, and also to invite expression of interest from parties to invest in BWA services so that the Telecommunications Authority (TA) could assess the likely market demand for BWA spectrum.
- (b) The introduction of BWA, a wireless technology for providing high-speed access to telecommunications networks to users over a wide area, would benefit both the industry and consumers and underpin Hong Kong's position as a leading telecommunications hub of the Asia Pacific region.
- (c) BWA spectrum in the 2.3 GHz band was tentatively scheduled for auction in the first half of 2008, in line with the market-based approach specified under the Radio Spectrum Policy Framework promulgated on 24 April 2007. The 2.3 GHz band could support at least three BWA operators. TA would decide on the allocation of the 2.5 GHz band after the conclusion of the World Radiocommunication Conference (WRC) to be held in Geneva in October 2007.
- (d) TA proposed to adopt an up-front lump sum payment method for Spectrum Utilization Fee (SUF) which was more straight forward, easier and less expensive to administer for both the Government and the successful bidders, and the amount of which would be determined through an open auction.
- (e) TA was of the preliminary view that the use of BWA spectrum to provide fixed services, mobile services or fixed-mobile convergence services should be allowed, and proposed to license BWA services under the Unified Carrier Licence (UCL) subject to the decisions of the SCED on the creation of the UCL and the relevant legislative process.
- (f) Under the Open Network Access (ONA) requirement, 2G and 3G licensees were at present required to open up at least 30% of their network capacity for access by non-affiliated Mobile Virtual Network Operators (MVNO) or content providers. Having regard to the current market situation and considering that market force and economic principles would regulate the market efficiently, TA proposed not to impose ONA on BWA licensees.

Presentation by deputations

Consumer Council (CC)

(LC Paper No. CB(1)2129/06-07(02) -- Submission (English version only))

3. Ms Rosa WONG, Head, Research & Trade Practices Division of CC, pointed out that a major consumer concern was whether there would be a high enough level of investment in a healthy competitive broadband wireless market to ensure the provision of quality telecommunications services. She said that CC supported the Government's plan to deploy the 2.3 GHz band for BWA applications to meet market demand and commercial needs as the move would intensify market competition and in turn benefit consumers as the latter would be provided with more choices. She elaborated the views of CC as follows:

- (a) CC supported the roll-out requirement whereby BWA licensees were required to roll out their services within 24 months from the date the licence was issued, and also supported the performance bond requirement to bind the licensees to such commitments.
- (b) CC supported the technology-neutral principle allowing all compatible technology to compete on an equal footing for the use of the radio spectrum to be allocated.
- (c) The frequency allocation plan for the 2.5GHz band once finalized should be disclosed as early as practicable to provide a disincentive for overbidding for the 2.3 GHz band and at the same time to encourage operators to speed up 2.3 GHz service roll out to capture a market share before the opening up of the 2.5 GHz spectrum.
- (d) CC supported the TA's proposal that BWA licensees be required to facilitate both Operator Number Portability (ONP) and Mobile Number Portability (MNO), including the Fixed Mobile Number Portability to be introduced in the future.

PCCW Ltd. (PCCW)

(LC Paper No. CB(1)2129/06-07(01) -- Submission (English version only))

4. Mr Stuart CHIRON, Director of Regulatory Affairs of PCCW, said that PCCW supported the release of the BWA spectrum on an orderly and transparent basis, and would be interested in bidding for it. He presented the views of PCCW as follows:

- (a) PCCW considered that two separate auctions for the 2.3 GHz and 2.5 GHz bands respectively might result in over-bidding in the 2.3 GHz auction which would come first, and under-bidding in the second auction for the 2.5 GHz band. Citing the case of New Zealand

where the 2.3 GHz auction had been pushed back for it to be auctioned alongside with the 2.5GHz band, PCCW believed that a single auction approach would be preferable to a piecemeal approach. With reference to BWA experience in South Korea and Singapore, PCCW considered that it might be too early to introduce BWA services in Hong Kong as the technology was still developing and the availability of suitable BWA devices was limited.

- (b) In line with the market-driven approach, the market should be allowed to determine the amount of spectrum to be acquired by each operator instead of imposing a spectrum cap of 30 MHz bandwidth per BWA operator.

New World Telecommunications Ltd. (NWT)

(LC Paper No. CB(1)2098/06-07(02) -- Submission (Chinese version only))

5. Mr Thomas LEUNG, Director, Consumer Market of NWT, proposed that the Government should set up at least one BWA spectrum licence for fixed-line-only service. NWT was concerned that the price of BWA licences covering both fixed-line and mobile services would be higher. It would be unfair to a dedicated fixed line licensee to pay for a licence that included mobile services which it had no interest in providing, and it was equally unfair to those consumers who only needed fixed line services. Moreover, with a channel of identical frequency spectrum bandwidth, the use of 802.16(d) standard could provide 40-70M broadband services. Fixed carriers might use BWA in customer access networks to provide the "last mile" connections to users, avoiding the time, costs and inconvenience of road digging and accelerating the growth and reach of customer access networks.

Asia Satellite Telecommunications Company Limited (AsiaSat)

(LC Paper No. CB(1)1831/06-07(13) -- Submission (English version only))

6. Mr S Barry TURNER, General Manager, Engineering of AsiaSat, stated that AsiaSat strongly supported OFTA's decision not to deploy BWA in the 3.5GHz band due to possible interference with the existing fixed satellite services in the same band and in adjacent bands. AsiaSat concurred that deployment of BWA technologies in the 2.3 or 2.5 GHz band would offer better technical performance for BWA and would assist the services in achieving their market potential.

Qualcomm International Inc (Qualcomm)

7. Ms Molly GAVIN, Director of Government Affairs of Qualcomm, said that Qualcomm supported the Government's vision of making broadband Internet access available to all citizens in Hong Kong. Qualcomm believed that the 3G industry and ecosystem would continue to take a leading role in the provision of broadband wireless Internet access services to the citizens of Hong Kong, and also to both

rural and urban consumers in other markets around the world. Qualcomm fully supported OFTA's continued adherence to technology-neutral and market-based policies on spectrum release. Qualcomm agreed with PCCW that the market for BWA services so far had not proven to be that successful. Clarification was needed on a number of outstanding issues on the frequency band plan, the amount of broadband required among different licensees, and the availability of infrastructure and user equipment to ensure success of the auction. Qualcomm supported the OFTA's determination to withhold the release of the 2.5 GHz band for BWA services till the conclusion of the WRC 2007.

Alcatel-Lucent China Limited (A-L)

(LC Paper No. CB(1)2098/06-07(03) -- Submission (English version only))

8. Mr Anthony LAM Chung-wah, Director, Integrated Solutions of A-L, stated the views of A-L as follows:

- (a) A-L supported the technology-neutral approach for the industry to decide on the most appropriate technology for BWA.
- (b) A-L supported the Government's plan to release the 2.3 GHz band for BWA deployment first before moving on to the 2.5 GHz band.
- (c) A-L supported OFTA's view that no restrictions should be imposed on the types of applications and services to be provided using the BWA spectrum, as licensing constraints would only unnecessarily limit operators' ability to address different market demands.
- (d) A-L agreed that the assignment of 30 MHz bandwidth for each licensee was a well balanced allocation for the licensee to roll out the services required.
- (e) A-L proposed that the telephone numbering plan and the number portability issues should not be related to the BWA roll out. Licensees should be allowed to decide what services to be put on top with separate guidelines to be issued as appropriate.

Cable and Satellite Broadcasting Association of Asia (CASBAA)

(LC Paper No. CB(1)2098/06-07(04) -- Submission (English version only))

9. Mr John MEDEIROS, Vice President for Government Relations and Regulatory Affairs of CASBAA, said that CASBAA, as an industry association with some 120 member corporations in 15 Asia Pacific markets dedicated to the promotion of multi-channel television via cable, satellite, broadband and wireless video networks, supported the rollout and commercialization of wireless applications in frequencies other than the C-band. He said that the proposal to allocate frequency in the C-band for BWA applications and future 4G telephone

services threatened the viability of C-band based satellite services. He pointed out that C-band sharing between the divergent technologies of mobile, nomadic broadband wireless applications and satellite services was not possible. In this regard, he commended OFTA for its open-minded and responsive approach in conducting tests confirming the possibility of interference between the operation of wireless systems and the existing fixed satellite services in the C-band, and hence the omission of the deployment of C-band in the present consultation paper. CASBAA also urged the Government to use its diplomatic influence and its internationally recognized technical expertise to defend the use of C-band which he said was crucial to both the broadcasting and satellite industries in Hong Kong.

Hong Kong Internet Service Providers Association (HKISPA)

(LC Paper No. CB(1)2129/06-07(03) -- Submission (English version only))

10. Mr Lento YIP, Vice President of HKISPA, presented the views of HKISPA as follows:

- (a) The proposed usage right of the assigned frequency band for 15 years might create wastage of spectrum and could also lead to frequency hoarding.
- (b) To maximize public interest, the auction for the BWA spectrum should not depend only on the total SUF receivable by the Administration. The auction should be so designed as to allow a greater number of operators in order to avoid market monopoly, to accommodate different forms of intended utilization of the BWA technology by different service providers, and to make a reservation of bandwidth for future issuance of BWA operator licenses.
- (c) The provision of BWA service was a business that required creativity rather than financial strength. HKISPA disagreed to the payment of the SUF in the form of an upfront lump-sum as proposed by the TA as such a payment method would tend to favour financial strength rather than creativity.
- (d) HKISPA advocated that the 30% ONA requirement currently applicable to the 2G and 3G licensees should be imposed on BWA licensees as well.

Hong Kong Information Technology Federation (HKITF)

11. Mr Francis FONG, Vice President of HKITF, said that HKITF supported the opening of 2.3 frequency band for BWA auction provided that the benefits to the industry as a whole were well balanced. As the BWA usage in the 2.3 and 2.5 GHz was still in its early stage of development, HKITF recommended that compatibility and standardization issues in client devices such as mobile phone,

PDA, Smartphone and Notebook and backhaul link had to be carefully examined. In view of the negative experience in the lack of mandatory regulation on inter-operability to guide the operators on the SMS/MMS and 3G video call in the past, HKITF advocated that inter-operability among different BWA operators should be regulated.

IT Voices

(LC Paper No. CB(1)2129/06-07(04) -- Submission (English version only))

12. Mr Chester SOONG Tak-kar, Representative of IT Voices, said that reasonable information security measures should be put in place to protect the infrastructure from abuses and to safeguard users' data privacy in order to ensure that BWA services would not become a heaven for hackers. The network should have the mechanism and the capability to identify the users down to the machine level. Service providers should have adequate logging capability to record enough user information of the network connection (e.g. user computer's MAC address, logon and logout time, websites or network visited etc) to facilitate cyber crime investigation. The users should be made aware of the potential security risks involved in using public wireless access services for sensitive transactions such as online banking and accessing sensitive business data, etc.

Preliminary response by the Administration

13. As regards the industry's concern about possible interference with the existing fixed satellite services in the 3.5 GHz band, DG of T clarified that OFTA had decided to withhold the release of 3.5 GHz band for BWA services following a detailed study which confirmed that interference was possible.

Discussion

Timing for the release of BWA spectrum and licensing

14. While noting the industry's support for the introduction of BWA services, Mr Howard YOUNG was concerned about the divergent views advocating one single auction for the 2.3 and 2.5 GHz band pending WRC's decision in October 2007 on the worldwide allocation of the 2.5 GHz band. He enquired about the rationale underlying the Government's proposal to go for a 2.3 GHz auction first. Citing the decision of awaiting the Mainland authority's announcement of the national standard for digital terrestrial television broadcasting in Hong Kong, Mr YOUNG remarked that consideration could be given to waiting till the conclusion of the WRC in October 2007 which was only a few months away before deciding on the way forward. He added that the Administration could consider setting a deadline for the 2.3 GHz auction in the event that WRC failed to reach a decision on the worldwide allocation of 2.5 GHz band. He remarked that to auction the 2.3 and 2.5 GHz band in one go would help dispel the feeling of uncertainty among investors participating in the bidding.

15. Noting that the WRC would be held in a few months' time in Geneva, Ms Emily LAU invited deputations' views on PCCW's suggestion for one single auction for the 2.3 and 2.5 GHz bands, and enquired which way would best serve the interests of the public and the industry.

16. Mr Stuart CHIRON of PCCW said that while PCCW fully supported the introduction of BWA services, it saw no need to make haste as BWA was still a developing technology. He urged TA to rethink the time-table for the release of spectrum and licensing for BWA services and to go for a single auction approach for the 2.3 and 2.5 GHz bands. Concurring with Mr Howard YOUNG, he supported awaiting the WRC decision before proceeding with the auction of the 2.3 GHz band.

17. In response, DG of T said that there were pros and cons for the two approaches to the auction. As Mr Howard YOUNG rightly pointed out, it was uncertain whether the WRC in October 2007 would reach a decision, and a non-decision would further delay the introduction of BWA services in Hong Kong. She stressed that the Government would take into account of all views received in the consultation.

18. Mr Lento YIP of HKISPA said that irrespective of whether the 2.3 and the 2.5 GHz bands were auctioned in one go or one after the other, members of the HKISPA were concerned that the big network operators dominating the market might not fully utilize the excess spectrum even if better technology became available, resulting in frequency hoarding which would eventually slow down the roll out and impede the development of full scale BWA services. HKISPA therefore called on the Government to ensure that the design of the auction would accommodate the utilization of various forms of BWA technology by different service providers in offering different BWA services and applications.

19. Noting that the rule of the game was for the highest bidder to be allocated the spectrum and having regard to some deputations' view that the design of the auction should accommodate different utilization of BWA technology, Ms Emily LAU asked whether and how the Government would address the concern of the industry and the public about market monopoly. In reply, DG of T pointed out that there was no question of one network operator monopolizing the BWA market. Under the proposed bandwidth assignment mechanism, each BWA operator would be awarded with no more than 30 MHz bandwidth. The 2.3 GHz band could support at least three BWA operators, ensuring market competition.

20. Referring to Korea's BWA experience as mentioned by Mr CHIRON in which one of the three licensed operators decided to pull out of the BWA market, Mr SIN Chung-kai sought elaboration from Mr CHIRON on the reasons for the pullout and enquired whether the Korean licence covered both mobile and fixed-line services. Mr CHIRON of PCCW undertook to provide the information

in writing after the meeting.

(Post-meeting note: The additional information (in English only) provided by Mr CHIRON of PCCW had been circulated to members vide LC Paper No. CB(1)2196/06-07(01) on 25 July 2007.)

Terms and conditions for BWA spectrum auction

21. While welcoming the development of BWA technologies that promised added convenience and more choices to consumers, Mr Albert CHAN raised concern about the licensing and the regulation of new services. He indicated that he did not subscribe entirely to the Government's licensing principles whereby the bidding price took precedence over other considerations such as customer service performance and the organizational structure of the bidding corporations. He said that the Government's over emphasis on auction prices for new services without due regard to proper regulation of the services had resulted in numerous public complaints about unscrupulous and deceptive business practices in pay television, telecommunications, and Internet services to CC and the legislative councillors' office. His office alone had received hundreds of such complaints against some service providers which were among the deputations attending the meeting. Noting that recent tendering exercises for some Government consultancy and construction projects had adopted a 6:4 or 5:5 weighting scheme whereby factors such as corporate soundness, service standards and past performance were included as part of the tender assessment criteria, Mr CHAN was disappointed that the proposed BWA auction had not made reference to these practices. He strongly urged the Administration to include the service quality and past performance record of the corporations as pre-qualification criteria for BWA auction.

22. Responding to Mr Albert CHAN's suggestion, DG of T advised that according to the guiding principle specified under the Radio Spectrum Policy Framework, a market-based approach should be used in spectrum management when there were competing commercial demands for the frequency spectrum. The release of spectrum by way of auction would in principle be applicable to all non-Government use of spectrum. She pointed out that the existing telecommunications licensing conditions included provisions requiring service providers to offer satisfactory customer service to the consumers. Moreover, section 7M of the Telecommunications Ordinance (Cap. 106) regulated against any misleading or deceptive conduct by the telecommunications industry. She said that the Administration would make the best use of the regulatory tools and step up enforcement to safeguard the interests of consumers. She also hoped that service providers, being mindful of their reputation, would constantly strive to provide better service to consumers.

23. Mr Albert CHAN was unconvinced and remarked that the market-driven principle should not be narrowly interpreted or distorted as equivalent to money-driven that attached paramount importance to tender and auction price,

over-riding the consideration of all other factors. He regretted that some conglomerates of pay television, telecommunications and Internet services had gone so far as to hire debt collectors to intimidate consumers such as the elderly and housewives into payment, using degrading means instead of recovering the outstanding service fee through the proper statutory channel, i.e. Small Claims Tribunal. He reiterated that in line with the Government's advocacy of corporate conscience and responsible corporate governance, the Government should give due consideration to factors other than the dollar figure of the auction/tender price when assessing tender submissions and in the allocation of spectrum so as to send a clear message to the conglomerates that money was not everything.

24. In response to Ms Emily LAU's enquiry on the records and statistics of complaints against service providers, Mr SIN Chung-kai advised that such statistics and the penalty imposed for breaches were available on OFTA's website. In this connection, he shared with the meeting that the 3G auction in 2001 was the only auction conducted by the Government so far, and he believed that the Government would put in place a mechanism for the auction of BWA, Wi Max and other spectrum services in future. Echoing Mr Albert CHAN, he also urged the Government to include quality of service and past performance record of incumbent service providers as pre-qualification criteria for BWA auction. Moreover, he suggested to introduce a penalty system similar to the Housing Authority (HA) system that debarred contractors involved in short piling from bidding for future HA contracts, to forbid service providers with a bad performance record from bidding in the BWA auction. He believed that this would help enhance the service standard of the industry to the benefit of consumers.

25. In this connection, Mr Albert CHAN enquired whether CC would further explore and put forward to the Administration its views on the feasibility of including service providers' past service performance records in the assessment and selection mechanism for government auction and tendering exercise. In response, Ms Rosa WONG of CC concurred that the business practices and the service standards of some serving service providers left much to be desired. She said that consideration purely on the basis of the tender/auction price could not necessarily guarantee the bidding corporation's commitment to quality service. She said that an auction and tendering mechanism that could help safeguard service standard and eliminate unscrupulous business practices could be considered as a long term measure. She undertook that CC would forward its views in this respect, if any, to the Government for consideration.

26. In response to the Chairman's enquiry, DG of T confirmed that the focus of the pre-qualification criteria of the BWA auction was mainly on the financial soundness and strength of the bidding corporations. She said that as a general practice in an auction regime, the auction price in principle was the determining factor. Nevertheless, she stressed that the Administration was open-minded and had yet to finalize the auction design and the tender specifications of the BWA auction on the basis of the findings and conclusions of the consultation. She

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reiterated that the Government would take note of all the views expressed by members, the industry and the public when mapping out the way forward. At the Chairman's request, DG of T undertook to update members in writing on the findings and the conclusion of the two-month consultation scheduled to end on 18 July 2007 as well as the way forward.

The Open Network Access (ONA) requirement

27. Ms Emily LAU noted that under the ONA requirement, 2G and 3G licensees were required to open up at least 30% of their network capacity for access by non-affiliated MVNO or content providers. Referring to the divergent views on whether the ONA requirement currently applicable to 2G and 3G licensees should also be imposed on the BWA licensees, Ms Emily LAU invited views from the representatives of the deputations.

28. In response, Mr Lento YIP of HKISPA said that HKISPA did not agree with the TA that ex ante (i.e. regulation before the event) obligation should not be imposed on BWA licensees. While it might be argued that the requirement would unnecessarily interfere with the free market, there was no evidence to show that the current ONA requirement on the 2G and 3G licensees had any adverse impact on the market and consumers. In fact, MVNO had built many innovative services for consumers. HKISPA therefore strongly advocated that the same requirement should apply equally to BWA licensees.

29. Mr Stuart CHIRON of PCCW, however, remarked that in line with the market-driven approach stated in TA's statement on Fixed and Mobile Convergence, PCCW was supportive of the principle that the market should be decided by market forces, and that a market-driven approach to regulation should be adopted. PCCW considered that less regulation was preferable and that regulation should be introduced only when it was absolutely necessary to avoid market failure. As regards the concerns over frequency hoarding by big conglomerates, he remarked that given the large amount of investment outlay, successful bidders would try to roll out services as fast as they could instead of sitting on it.

II. Review of regulatory framework for universal service arrangements

Submission from deputation/individual not attending the meeting

(LC Paper No. CB(1)2129/06-07(06) -- Submission from Wharf T & T Limited)

Presentation by the Administration

(LC Paper No. CB(1)2098/06-07(05) -- Paper provided by the Administration

LC Paper No. CB(1)620/06-07(01) -- Executive summary of the "Consultation Paper on Review of the

Regulatory Framework for Universal Service Arrangements" and relevant press release

LC Paper No. CB(1)2168/06-07(02) -- Powerpoint presentation material
(issued via e-mail on 19 July 2007) provided by the Administration)

30. At the invitation of the Chairman, DG of T gave a power-point presentation on the review of the regulatory framework for universal service arrangements, including the background of the Universal Service Obligation (USO), the past USO arrangements, the need for review as well as the new arrangements of the updated regulatory framework effective from 1 July 2007. She highlighted the salient points as follows:

- (a) Under the present USO regulatory framework established by Telecommunications Authority (TA) in 1998 and updated in 2000, PCCW-HKT Telephone Ltd. (PCCW) was currently the sole universal service provider (USP) obligated to provide affordable universal "basic service" which consisted essentially of telephone line service and public payphone service plus weather warning and telephone directory enquiry services to all people in the territory. Under the Universal Service Contribution (USC) Scheme, PCCW was compensated for the net cost of providing universal service to unprofitable customers. The cost sharing was based on the external telecommunications services (ETS) traffic volume, i.e. international direct dialing (IDD) minutes carried by ETS service providers and carriers. For 2004, the USO cost was \$103.3 million.
- (b) In view of the rapid changes in the telecommunications market, such as more households (about 76%) were being served by alternative local fixed network operators, declining profits from IDD service, and the emergence of new technologies such as voice-over Internet protocol telephony (VoIP) via broadband connections, there was a need to review the existing regulatory framework which was fast becoming out-dated and to review the USC sharing mechanism. On 28 December 2006, TA issued a consultation paper to invite the industry and the public's views on the regulatory framework.
- (c) TA had concluded the review and issued a statement on 8 June 2007 announcing the following changes to the regulatory framework for universal service arrangements to take effect from 1 July 2007:
 - As the Hong Kong Observatory was providing weather warning services, such services would be taken out from the scope of the universal service when the opportunity to amend section 2 of the Telecommunications Ordinance (Cap. 106) arose in future.

- The "relevant revenue" should take into account the fair market value of using the payphone kiosks for advertising and any purposes other than payphone service.
- To introduce a mechanism for the TA to direct additions to, or removal from, the list of payphones eligible for USC after consultation with PCCW and the community.
- PCCW would not receive any compensation for providing basic telephone service in areas (or buildings) with alternative fixed network coverage, and also for operating a payphone where there was alternative payphone service in the vicinity.
- The aggregation basis for USC calculation purpose should be changed from "customer-by-customer" to "distribution points".
- The basis for USO cost sharing would be changed from IDD traffic volume to the number of all telephone numbers allocated to service operators by end of April 2009 when the current regulatory intervention in fixed-mobile interconnection charge would be withdrawn.

Presentation by deputations

Consumer Council (CC)

(LC Paper No. CB(1)2129/06-07(05) -- Submission (English version only))

31. Ms Rosa WONG of CC said that CC agreed with the Administration on the need to maintain universal service arrangements to ensure the continued provision of affordable basic telephone services to all people in all areas of Hong Kong. She highlighted the views of CC as follows:

(a) Scope of universal services

- (i) CC urged the Government to continue the provision of help-lines in Country Park trails for making free emergency calls, to retain public payphone services as alternative services for consumers particularly in emergency situations, and to reconsider including broadband Internet access services in the scope of universal services.
- (ii) While CC supported in principle the withdrawal of USO in areas (or buildings) connected by more than one fixed network operator, CC suggested that in addition to the number of service providers in the areas concerned, other criteria such as tariff level

and service quality should also be taken into account in determining whether a state of genuine competition existed.

- (iii) CC supported the introduction of a mechanism for the Government to direct additions to, or removal from, the list of payphones eligible for USC, after consultation with the community.
- (iv) CC supported that any revenue generated from advertisements placed on public payphone kiosks or from other business activities should be included as relevant revenue in calculating USC.

(b) Competitive provision of universal services

CC shared the Government's view that universal service should be provided by the most cost-effective operator using the technology that could provide the service in the most efficient manner irrespective of whether the service provider was a mobile or fixed-line operator.

(c) Funding arrangements of USO

CC welcomed the Government's proposal to review the USO funding arrangements and agreed with the Government that it was more equitable for mobile telecommunications operators to also contribute towards the provision of the universal services. CC also agreed that USC sharing should be based on the number of telephone numbers allocated to all fixed or mobile service operators.

Preliminary response by the Administration

32. As regards CC's suggestion to extend the scope of universal service to cover broadband Internet access services, DG of T said that in view of the wide coverage and high penetration of broadband Internet access that currently cover about 98% of households at affordable price, the Government saw no sufficient grounds at the present stage to justify the inclusion of broadband Internet access in the scope of universal service. She further pointed out that such an inclusion would increase the cost of universal service which ultimately would be borne by consumers. With the emergence of new technologies, she believed that the remaining 2% of households in remote areas would in future become broadband-connected.

Discussion

A new universal service contribution scheme

33. Noting the \$103.3 million compensation to PCCW for providing USO in 2004, Ms Emily LAU asked how the change in the basis of cost sharing would impact the amount of future compensation to PCCW, and sought elaboration on whether the compensation to PCCW was likely to increase or decrease under the new USC scheme. The Chairman was also concerned whether under the new sharing mechanism, the Government and the public would end up having to compensate PCCW more.

34. In response, DG of T and Acting Assistant Director of Telecommunications (Regulatory) (AD of T (R) (Atg)) said that whether the amount of compensation to PCCW would increase or decrease and by how much would depend on a number of factors and had to be calculated on an item-by-item basis. AD of T (R) (Atg) explained that of the \$103.3 million compensation for 2004, about 54% was attributable to telephone line service and the remaining 46% was related to public payphone service. He added that as announced by the TA in its statement on 8 June 2007, the fair USC in areas (or buildings) connected by at least one alternative self-built fixed customer access network should be zero. Similarly, the fair USC for uneconomic payphones in the vicinity of competitive or alternative service should also be zero. DG of T supplemented that given the above changes, the USO compensation payable to PCCW would trend down. She however pointed out that as not all the payphones were to be excluded from the USO scheme, and with the change of the aggregation basis from "customer-by-customer" to "distribution points" for USC calculation, as well as the change of the USC cost sharing from IDD traffic minutes to the number of telephone numbers allocated, the final variation in the amount of compensation payable to PCCW would have to be computed in accordance to changes in various factors after the implementation of the new USC scheme. In this respect, Ms Emily LAU requested the Administration to provide further information on the amount of compensation to PCCW following the implementation of the new USC scheme.

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35. Referring to the Government's proposition that a review of the USC sharing mechanism was necessary as the ETS profits were on the decline, Ms Emily LAU sought further clarification on the decrease in IDD traffic volume. In reply, AD of T (R) (Atg) said that no information on IDD traffic volume was at hand. The general global trend was that IDD calls were increasingly being replaced by alternative new technologies such as VoIP and SMS. He pointed out that with the advent of VoIP, an increasing volume of international calls had been made through the Internet, thereby bypassing the USC sharing mechanism. As such, it was expected that the IDD profit would trend down in the long run. In this connection, the Chairman referred members to OFTA's website which indicated that the IDD traffic volume had increased from 619,946,000 in May 2005 to 732,369,000 in May 2006 and to 779,335,000 in May 2007.

36. In response to Ms Emily LAU's query on the apparent inconsistency between the overall increase in IDD traffic volume and the decline in IDD profit margins, DG of T explained that although the emergence of VoIP had to a certain extent reduced the IDD profit margins, the volume of IDD traffic (IDD minutes) however might not register any obvious decrease due to the buoyant economy and the general increase in economic activities. She recalled the historical reason underlying the cross-subsidy between local and IDD services whereby IDD services with high profit margins in the past were chosen as the natural candidate to subsidize the loss-making local telephone services. She reiterated that with the decline in the profit margins from ETS, the historical reason for funding the USO by operators providing IDD services was no longer applicable to the fast-changing telecommunications landscape, and the funding arrangements based on IDD traffic might not be sustainable in the longer term. As market circumstances had changed, there was a need to review the regulatory framework and the USC sharing mechanism to keep pace with the market and technological developments.

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37. Upon Ms Emily LAU's suggestion, the Chairman requested the Administration to provide information and statistics on the decline or otherwise of the profit margins of ETS service and on the ETS traffic volume.

38. As regards the decline in IDD profit margins, the Chairman opined that consideration be given to exploring other sources of revenue such as allowing the use of payphone kiosks for advertising or purposes other than payphone service. He further opined that the decline in ETS profit margins, which might well be due to ineffective business practices and corporate management, should not be the Government's major consideration. He enquired whether the Government had given due consideration to cost-effectiveness and economic efficiency when reviewing the regulatory framework and the sharing mechanism of the USC scheme. Ms Emily LAU also asked whether any particular groups of consumers would be most affected by the change in the basis of USO cost sharing.

39. In response, DG of T and AD of T (R) (Atg) explained that under the existing arrangement for sharing of costs of USO among IDD service providers on the basis of IDD minutes meant that IDD callers were indirectly subsidizing local telephone service users. As such, changing the basis of sharing to that of the number of telephone numbers allocated would be a fairer, more balanced and sustainable arrangement because all users of the local telephone services (fixed or mobile, including IP telephone services) would be sharing the cost of the USO.

40. Dr Victor HUNG, Chief Research & Trade Practices Officer of CC remarked that how service providers would assign the USO cost to their customers was a business decision to be made by the management. He pointed out that under the new mechanism of using the number of telephone numbers as the basis of sharing, those people who used more telephone numbers would in theory contribute more to the USO cost.

41. On the principle of fairness, Mr SIN Chung-kai recalled that the USO regulatory framework was originally designed to ensure that basic telephone service was available to and affordable to all. The rationale of using the IDD traffic volume as the basis of USO cost sharing was for the rich to subsidize the poor on the assumption that frequent IDD callers were relatively better off. In respect of the new sharing mechanism of using the number of telephone numbers allocated, he opined that with the development of new towns in remote areas and the critical mass of 2,000 to 3,000 households in big housing estates, the situation might be inadvertently reversed to that of the poor in housing estates subsidizing the rich in remote areas such as the Peak and Kau To Shan, contrary to the principle of equity and fairness.

42. In response, DG of T said that presently PCCW's network covered practically most parts of Hong Kong, whereas about 76% of the households including the densely-populated housing estates had the choice of alternative service providers. While there were up-class suburbs in the remote areas, there were also less affluent areas with no economic incentives for operators to provide service. She pointed out that USO cost sharing on the basis of IDD traffic volume which put too much emphasis on a particular service (IDD service) and a particular group of consumers (IDD callers) might not be sustainable in the long run, particularly when the prospect of the IDD market was unclear and its profitability on the decline. She reiterated the Government stance that the future arrangement of using the number of telephone numbers as the basis of sharing would make all users of the local telephone services contribute and was therefore a more balanced and broadly-based approach for long-term sustainability.

43. As the updated regulatory framework would have direct impact on consumers, Ms Emily LAU suggested that the Government and CC should take up the responsibility of promoting public understanding of the new arrangement and its implications. She also requested the Administration to provide written information in due course on the impact of the new arrangements on consumers. In this connection, she also welcomed CC to provide information, if any, in this regard to the Panel for reference.

Admin

III. Provision of consumer information in relation to residential broadband use in Hong Kong

Submission from deputation not attending the meeting

(LC Paper No. CB(1)2098/06-07(07) -- Submission from Hong Kong Broadband Network Ltd)

44. The Chairman welcomed representatives of the Administration and deputations to the meeting, and invited the deputations to express their views.

Presentation by deputations

The Consumer Council (CC)

(LC Paper No. CB(1)2129/06-07(08) -- Submission (English version only))

45. Referring to the findings of the survey on residential broadband Internet access services conducted by the University of Hong Kong and commissioned by OFTA, Ms Rosa WONG of CC presented the following views of CC:

- (a) Network reliability was an important criterion in choosing an Internet service provider (ISP) and over 53% of the problems encountered by respondents to the survey was about network reliability. As such, CC urged OFTA to consider whether ISPs should be obliged under the licensing requirements to report incidents of service breakdown and to let the public have access to service reliability information from OFTA.
- (b) As CC had received around 1,600 complaints between January and May 2007 and most of them were about quality of service (QoS), there was a clear need for ISPs to improve their sales/trade practices and service provision.
- (c) As consumer information on QoS and consumer education were important for consumers to become smart information technology users, CC urged the industry to establish a standard QoS measurement to enable OFTA to check on the ISPs and to make such information available to consumers.

PCCW-HKT Limited (PCCW)

(LC Paper No. CB(1)2129/06-07(07) -- Submission (English version only))

46. Mr Stuart CHIRON of PCCW welcomed the release of the findings of OFTA's survey which provided insight into the requirements and expectations of residential broadband use. The result of the survey showed that a typical consumer's first priority was network reliability. Customer service, hotline support, as well as pricing and download speed were also important. As users might not have the technical knowledge to distinguish whether a problem was attributable to the broadband service, or to their personal computer configuration, or to the website, PCCW considered that on-going customer education plus good customer service were the key to reducing customer complaints. PCCW also supported the Consumer Dispute Adjudication Scheme proposed by OFTA as an effective means to resolve customer complaints.

Hong Kong Internet Service Providers Association (HKISPA)
(LC Paper No. CB(1)2167/06-07(02) -- Submission (English version only))

(tabled at the meeting and subsequently issued on 19 July 2007)

47. Mr Lento YIP of HKISPA said that as the service level of the Internet was not wholly within the control of individual ISPs, it was not commercially feasible for ISPs to provide some kind of guarantee to consumers. Nevertheless, HKISPA was supportive of the "way forward" proposed by OFTA and stood ready to collaborate with OFTA and CC to come up with meaningful and practical service information parameters to improve the provision of QoS information to consumers. On consumer education, HKISPA recommended organizing forums for online telecommunications users to help bridge the information gap and help end users understand better the nature of Internet services. As for complaints about misleading and deceptive marketing, HKISPA considered that these were isolated cases which would reduce gradually with increase in the public's knowledge about Internet services.

Internet Society Hong Kong (ISHK)
(LC Paper No. CB(1)2129/06-07(09) -- Submission (English version only))

48. Mr Charles MOK of ISHK said that the rising number of Internet-related consumer complaints reflected a state of consumer confusion regarding the QoS, download speed, pricing, misleading information, and sales and trade practices that had to be addressed. ISHK urged OFTA and CC to engage industry and user organizations in formulating initiatives to improve provision of comparative service information of different ISPs to users. HKIS called on the ISPs to consider offering tiered services for users, both residential and commercial, with appropriate levels of QoS guarantees. HKIS considered that OFTA should be more proactive and forceful in its enforcement against ISPs which had repeatedly violated the relevant stipulations.

Preliminary response by the Administration
(LC Paper No. CB(1)2098/06-07(06) -- Paper provided by the Administration)

49. DG of T said that to enable consumers to make informed choices about broadband services offered by different service providers, OFTA was actively discussing with the industry various measures to enhance transparency and to improve provision of service information by ISPs themselves. ISPs were requested to consider disclosing and making customer pledges about service restoration time, customer hotline performance, and the claimed speed for the relevant network segment along the Internet pathway. A set of specific Best Practice Indicators for marketing broadband services currently under preparation by OFTA in consultation with the industry would be published shortly for ISPs' reference. On regulation and enforcement, DG of T pointed out that section 7M of Telecommunications Ordinance (TO) (Cap. 106) empowered

Telecommunications Authority (TA) to handle only those complaints against misleading or deceptive conduct by telecommunications licensees in relation to, among other things, the promotion, marketing and advertising of telecommunications services. She advised that since 2000, about 90 cases were established to be in breach of section 7M of TO, for which written warnings were issued and a fine as high as \$80,000 to \$100,000 was imposed in a recent case. She undertook that OFTA would continue to strengthen enforcement against breaches and was working actively on the setting up of a Consumer Dispute Adjudication Scheme (CDAS) for voluntary participation by ISPs to resolve consumers complaints.

50. Deputy Secretary for Commerce and Economic Development (Communications and Technology) (DS/CED(CT)) supplemented that the Administration took a serious view on complaints about unscrupulous sales practices and substandard telecommunications services, and had actively engaged service providers in identifying improvement measures. He said that following the motion debate on strengthening the regulation of unscrupulous business practices in pay television, telecommunications and Internet service at LegCo meeting on 4 July 2007, some service providers had responded positively, undertaking to improve their customer services and to issue clear guidelines instructing their frontline marketing staff not to engage in unscrupulous sales practices. The Secretary for Commerce and Economic Development (SCED) would take the initiative to meet with the senior executives of the major pay TV and telecommunications operators to express the concern of the public, LegCo Members and the Government, and to call on the industry to enhance self-regulation. He said that the Government would continue to monitor the situation closely to see if the improvement measures to close the information gap identified in the survey and the self-regulatory measures adopted by the industry would help reduce the number of complaints. In the event that self-regulation by the industry proved to be ineffective, the Government would consider other appropriate regulatory measures.

Discussion

Standard for measuring service reliability and performance

51. Noting that service reliability took precedence over price and transmission speed as consumers' number one priority, Mr Howard YOUNG enquired whether, similar to the universally recognized "on-time performance" for flight schedules, and the down-time for electricity supply and for railway and transport services, there existed an internationally accepted quantifiable standard for measuring service reliability and performance that the telecommunications industry could conveniently make reference to. In response, DG of T said that OFTA had been in dialogue with the industry on setting customer pledges about service content, transmission speed and service reliability against which OFTA could monitor the performance of service providers and take enforcement action as appropriate for

breaches identified in inspections or established in the complaint mechanism. These customer pledges against which consumers could check on the performance of individual service provider and lodge a complaint in the event of sub-standard performance would be published by ISPs regularly for public information to enhance transparency.

52. Assistant Director of Telecommunications (Competition) of Telecommunications Authority (AD of T (C)) added that although a number of countries had in the past developed standards from an engineering perspective, there was no international common standard on service reliability from consumer perspective that could be readily used in Hong Kong. Hong Kong would have to develop its own performance indicators in relation to consumer experience. He suggested that achieving 90% of the speed claimed for 90% of the time, for example, would probably be a reasonably good indicator for service reliability benchmark, whereas indicators such as the down-time for customer hot-line service and the number of missed calls could form the basis for assessing the quality of customer service. Regular reports on how well these customer pledges and indicators were fulfilled would be published by ISPs to enhance transparency and consumer awareness. In this regard, Mr Howard YOUNG remarked that the new set of performance indicators which Hong Kong was to come up with should preferably be applicable to overseas countries to facilitate easy comparison in the future.

53. Responding to Ms Emily LAU's question on the viability of setting up Best Practice Indicators for marketing broadband services and making customer pledges, Mr Lento YIP of HKISPA said that while cost and transmission speeds were easy to measure, it was difficult for ISPs to provide guarantee on some service parameters, such as the success rate of accessing a certain website, etc, or to provide precise information on certain aspects of service because the connectivity of the Internet services relied on the performance of third party networks as well as the overall state of the Internet which were out of ISPs' control.

54. Mr Charles MOK of ISHK concurred that service connectivity was not wholly controllable by individual ISPs. He said that when an ISP claimed a certain specific speed for their service, usually it referred to the speed between the "local" connection from a consumer's home to the local exchange or the Hong Kong Internet Exchange, but not beyond. It would therefore be unreasonable to require ISPs to guarantee connectivity speed to a particular overseas web.

55. Dr Victor HUNG of CC said that despite discussion in the past two years, the industry had not been able to reach a consensus on the standard of measurement. He urged the industry to set up a standard as soon as practicable without which it would be difficult to make a QoS comparison amongst different ISPs.

56. Mr Albert CHAN suggested not to count on ISPs for reaching a consensus on a standard for measurement. He said that OFTA, as the licencing authority, in conjunction with CC should decide on the objective criteria for measuring performance standard and service reliability, and should also regularly publish the customer pledges and service standards to enable consumers to make a QoS comparison among different ISPs. Agreeing with Mr Albert CHAN, the Chairman cautioned OFTA against being unduly influenced by the industry in view of the industry's vested interests. He said that in the event a consensus could not be reached with the industry, the Government should take the lead in setting the yardsticks for performance measurement.

57. Ms Emily LAU, however, considered it important to engage the industry in setting the standard, and questioned whether it was feasible for the Government to unilaterally impose a set of performance standards on telecommunications operators and service providers. In response, AD of T (C) said that in view of the complexity of broadband technologies and the various service options available, it was expedient to work with the industry to draw up a set of commonly accepted and workable standard of measurement. Mr Charles MOK of ISHK opined that the Government, consumers and the industry should collaborate to work out a common standard of measurement. Mr Lento YIP of HISPA maintained, however, that it was indeed difficult to establish a viable set of standard for measuring QoS of broadband services. He remarked that detailed discussion was necessary to develop a meaningful and practical standard acceptable to both consumers and the industry and applicable to the broadband environment. Nevertheless, the industry would welcome and accept the standard drawn up by OFTA provided that it was fair, objective, easy to use and could accurately measure the service quality and performance standard.

Complaints relating to telecommunications and Internet services

58. Ms Emily LAU noted from the survey findings that only 22% of users who encountered problems had bothered to lodge a complaint and that only 1.2% of these complainants complained to CC. She said that as CC alone had received a total of 4,300 complaints for 2006, simple arithmetic would suggest that the total number of complaints could be quite alarming. She sought further clarification on the nature and the total number of complaints received, investigated and substantiated.

59. Ms Rosa WONG of CC advised that the complaints received by CC were largely related to the quality and standard of Internet services, and the number of complaints could reasonably be taken to reflect that substantial problems existed in that area. DG of T said that since 2000, a total of around 500 complaints relating to section 7M of TO were received, of which 90 cases were substantiated. A total of about 200 complaints concerning beaches of TO and licensing conditions were received for 2006.

60. Mr Albert CHAN said that the complaint statistics relating to section 7M could not accurately reflect the seriousness of the problems in the provision of Internet services which was among the top 10 categories of complaints received by his office. He said that people did not complain to CC because they knew that CC did not have the authority to rectify the problems. He opined that similar to the lack of regulation in the property market over the sales of uncompleted residential flats, the great number of complaints reflected the extent of the problem, which he said was getting out of control due to a lack of proper and effective regulation. He called on the Government to review the existing mechanism and put in place an effective, authoritative and reasonable mechanism to strengthen the regulation of business practices of service providers. He added that an independent body should be set up to investigate into complaints, arbitrate and offer advice to end-users. He regretted the Government's unwillingness to regulate the sales of uncompleted residential flats by way of legislation, and called on the Government to set a time-frame for strengthening regulation of telecommunications industry instead of allowing the undesirable situation to drag on indefinitely.

61. In this regard, Ms Emily LAU sought elaboration of the CDAS to be launched by OFTA as one of the means to resolve consumer complaints. AD of T (C) said that a number of jurisdictions had adopted a mediation approach to address telecommunications consumer disputes. OFTA would launch the CDAS, a pilot dispute arbitration scheme, to test out the viability of arbitration between consumers and service providers as an alternate means to resolving telecommunications consumer complaints relating to contractual disputes, services quality, and billings that did not fall under the scope of section 7M.

62. DG of T assured members that the Administration would make every effort to address the problems as soon as practicable. She advised that the set of specific Best Practice Indicators for marketing broadband services being prepared by OFTA was expected to be published soon. The Administration had also actively engaged the industry and user organizations to work out a set of common standard and yardstick acceptable to all parties for measuring the QoS of broadband services, and hopefully the customer pledges of ISPs could be published by the end of 2007.

63. In response to the Chairman's enquiry as to whether the Administration would consider reviewing section 7M to empower TA with greater regulatory power, DS/CED(CT) said that as indicated by the Secretary for Development Bureau, in the absence of SCED on duty overseas, at the LegCo motion debate on 4 July 2007, the Administration would consider, among other measures, an extension of section 7M of TO which regulated misleading or deceptive conduct of telecommunications operators, to Broadcasting Ordinance (Cap. 562) to cover pay television in the event self-regulation by the industry failed to improve the complaint situation. In this respect, Mr Stuart CHIRON said that PCCW was supportive of the proposed CDAS and of extending section 7M to the Broadcasting Ordinance.

Consumer education

64. As the survey found that the fundamental problem was due to consumers' lack of technical knowledge in the use of computers and the Internet rather than the service delivery by the company concerned, AD of T (C) said initiatives on consumer education coupled with the set of Best Practice Indicators and customer pledges were all part of the total solution package to help consumers make the optimal use of their broadband service, to close the information gap identified in the survey, and to provide comparative information on different ISPs for consumers to make informed choices.

65. Concurring with AD of T (C), Mr Stuart CHIRON of PCCW maintained that on-going customer education and maintaining good customer service were the key to reducing customer complaints on broadband services. Sharing a similar view, Mr Charles MOK of ISHK also highlighted the importance of consumer education and consumer participation to make consumers aware of the limitations of the ISPs as well as the choices available to them.

66. Dr Victor HUNG of CC, however, remarked that to attribute every problem to consumers being not conversant with their computers and the Internet was unfair to consumers and was also under-estimating Hong Kong consumers' technical capability. He said that in the event of telecommunications disruptions and emergency Internet service break-down, service providers should take the initiative to keep their customers informed. The Chairman shared his view.

67. Summing up, the Chairman requested the Administration to take note of the views expressed by members and deputations at the meeting. Upon Ms Emily LAU's suggestion, the Chairman requested the Administration to revert to the Panel before end 2007 to report on the progress of various initiatives.

Admin

IV. Any other business

68. The Chairman thanked members and representatives of the Administration for attending this last meeting of the 2006-07 legislative session and their contribution in past meetings. He, in particular, commended Mr Frederick MA, the newly appointed SCED for his attendance in the last two meetings, and looked forward to his continued participation in future Panel meetings.

69. There being no other business, the meeting ended at 5:25 pm.