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LC Paper No. CB(1)1829/07-08(02)
(English version only)

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4 June 2008

Hon Sin Chung Kai, SBS, JP
Legislative Councillor
Legislative Council
Room 410, West Wing
Central Government Offices
Hong Kong

By Facsimile (2537 1469) and Mail

Dear Mr. Sin,

LC Paper No. CB(1)1456/07-08(06)
Outcome of the Public Consultations on the Proposed Creation of a Unified Carrier Licence
under the *Telecommunications Ordinance*

We refer to the above paper by the Commerce and Economic Development Bureau and the Office of the Telecommunications Authority to the Legislative Council Panel on Information Technology and Broadcasting.

Please find enclosed our submission to the Subcommittee on Subsidiary Legislation to Introduce a Unified Carrier Licence under the *Telecommunications Ordinance*. We respectfully request the Subcommittee to consider our views on this subject matter in its upcoming meeting on 6 June 2008 when the above paper will be discussed.

Thank you.

Yours sincerely,

Agnes Tan
VP, Legal, Regulatory & Carrier Affairs

Encl.

FAAT2008-6-submission to Legco (UCL).doc



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& IT services subsidiary



WHARF T&T LIMITED

SUBMISSION TO THE SUBCOMMITTEE ON SUBSIDIARY LEGISLATION TO INTRODUCE A UNIFIED CARRIER LICENCE UNDER THE TELECOMMUNICATIONS ORDINANCE

- 1 We write in relation to the proposed subsidiary legislation by the Secretary for Commerce and Economic Development to introduce a Unified Carrier Licence (“UCL”) under the Telecommunications Ordinance. The proposed subsidiary legislation follows the outcome of the public consultations on the proposed creation of the UCL by the Commerce and Economic Development Bureau and the Telecommunications Authority (“TA”), which was submitted to the Panel on Information Technology and Broadcasting on 13 May 2008¹.
- 2 In the outcome of the consultations on the proposed creation of UCL, we are utmost concerned with the licence fee schedule for the UCL, in particular the customer connection fee (\$8 per connection per year) and the number fee (\$3 per number per year).
- 3 As a subcommittee has been formed to study the Subsidiary Legislation to introduce UCL, we respectfully put forward the following points for consideration by the subcommittee members:
 - The licence fee schedule for the UCL, which will apply across all fixed and mobile carriers when they migrate to UCL, represents a selective overall increase of licence fee for the fixed carriers. Such an increase is unfair, discriminatory and unjustified.
 - The annual \$3 number fee is premature and unnecessary. We do not believe the number fee will lead to better number management in Hong Kong. The TA has not concluded on the operational measures to efficiently use number resources and such measures have not been put to practice to realize the intended effect.
 - The increase of the annual customer connection fee from \$7 to \$8 plus the annual \$3 number fee represent a whopping 160% increase in licence fee each year for fixed carriers. This increase of fees to the TA is not justified given the light-handed regulatory regime or non-interventionist approach taken by the Administration and valued by the Honourable Members of the Legislative Council. Carriers have often resorted to litigation to settle disputes rather than requesting the TA to determine or having their requests declined. This can be exemplified by the number of legal actions

¹ LC Paper No. CB(1)1456/07-08(06)

initiated by Hong Kong Broadband Networks Limited against four mobile operators.

- The licence fee schedule for UCL represents some significant licence fee savings for the mobile carriers. Why should one segment of the industry enjoy licence fee reduction whilst the others face an increase?
- The biggest demand for number resources in fact stem from mobile services. Due to increasing demand for numbers by mobile users, the TA has recently allocated leading digit 5 number to Peoples. Yet the fixed carriers have to bear the number fee and consequently increase of licence fee, on the other hand the mobile carriers will enjoy licence fee reduction.
- As the new licence fee will apply to fixed or mobile carriers when they migrate to UCL either on expiry of their existing licences or earlier date if they choose to convert (unlikely for the fixed carriers given the increase in their costs), the new licence fee will have different start date for each licensee. Some fixed carrier licences will not expire until 2018 and consequently the number fee will not be applicable to them - this defeats the purpose of introduction of number fee.
- With the increase of licence fee for fixed carriers, there would be pressure to pass on the costs. Does this inevitable transfer of costs lie within public interest? And finally can the TA ensure that the mobile carriers will pass on the savings from reduction of licence fee to the consumers?

Thank you.

Submitted by Wharf T&T Limited
3 June 2008