Comments of Hong Kong Cable Television Limited on the Consultation Paper on Unified Carrier Licence

I. Introduction

1.1 Hong Kong Cable Television Limited ("HKCTV") welcomes the opportunity to express its comments on the "*Consultation Paper on the Creation of A Unified Carrier Licence under the Telecommunications Ordinance*" ("Bureau Paper") issued by the Government's Commerce and Economic Development Bureau and the consultation paper "*Licensing Framework for Unified Carrier Licence*" ("OFTA Paper") issued by the Telecommunications Authority ("TA") both on 21 December 2007. HKCTV supports the general direction on the creation of a unified carrier licence which is conducive to a convergent environment and in particular, agrees with the inclusion of the any-to-any connectivity requirement in the Special Conditions of the proposed Unified Carrier Licence because this would give rise to more diverse range of content to the consumers.

II. Any-to-any Principle under the OFTA Paper

2.1 According to paragraph 24 of the OFTA Paper:

> "*[Any-to-any] connectivity is an important public policy objective that is based upon the long-standing expectation of the public that any telecommunications user can communicate with any other user. The requirement of A2A is an internationally recognised principle and adopted by other administrations. The absence of a universal ability by a telecommunications user to call any other user would severely undermine Hong Kong as a regional telecommunications hub and more importantly as an international finance and commerce centre.*"

HKCTV agrees with this policy objective of the Government. We note that the any-to-any requirement is now reflected in Special Condition 3 of the draft Unified Carrier Licence.

2.2 HKCTV supports the extension of the any-to-any principle to traffic between fixed carriers and mobile carriers, inclusive of video contents. At present, mobile phone users do not have unrestricted access to all service providers' video content. Customers of mobile operators should be able to have access to any video content through their mobile operators as the demarcation of fixed and mobile service is becoming increasingly blurred.

2.3 By extending the any-to-any principle to the video traffic between fixed carriers and mobile operators, consumers, in this case a mobile operator's customers, could have a more comprehensive range of service. In paragraph 7 of the Bureau Paper, the Government stated:

"*Convergence will enable voice, data and multimedia applications to be provided over common core networks and delivered to end-users through a range of wireline and wireless customer access networks. Users can access the converged services using the same device irrespective of whether they are stationary at fixed locations or on the move.*"

The extension of the any-to-any principle to the flow of video traffic between fixed and mobile carrier would facilitate convergence and allow the Government to achieve this policy objective.

2.4 Apart from bringing benefit to consumers by enabling them to have a greater range of services, this would stimulate the demand for mulitmedia services as well as the demand for data services provided by mobile operators in Hong Kong. This would in turn encourage bigger investment in the creative industry resulting in different variety of content providers. Operators would also be able to derive higher revenue from more intensive use of different types of content and data services through mobile phone. This would lead to win-win situation for the consumers and all the operators in the telecommunications industry.

III. Proposed increase in customer connection fee from $7 per connection to $8 per connection

3.1 We are puzzled by the proposed increase in the so-called subscriber-based fee component (that is, customer connection fee) from $7 per connection to $8 per connection. The Commerce and Economic Development Bureau did not provide a convincing case for allowing an increase of $1 in the customer connection fee which represents a rise of 14% in such fee. In the Bureau Paper, the Commerce and Economic Development Bureau purported to justify the proposed increase in the customer connection fee from $7 per connection to $8 per connection on the following ground (see paragraph 33 of the Bureau Paper):

"*The subscriber-based fee presently accounts for a significant portion of total licence fees currently received from the major fixed and mobile network operators. In setting the level of fee, the relevant consideration is to recover the administrative costs of the [Telecommunications] Authority in administering and regulating the [Unified Carrier Licence]. In this connection, the [Telecommunications] Authority has reviewed the costs for on administering the [Fixed Carrier Licence, Fixed Carrier (Restricted) Licence and Mobile Carrier Licence]. It is considered that the customer connection fee for fixed services should be slightly increased while the fee for mobile services may be reduced. The [Telecommunications] Authority has proposed in the first FMC consultation paper that the customer connection fee can be set at a unified level of $8 per connection. There is no major disagreement by the respondents on the retaining of a subscriber-based fee component in the licence fee structure. The [Telecommunications] Authority has reviewed the proposed level in 2007 and recommended that a unified level of $8 per connection is still appropriate from cost recovery angle and with reference to the subscriber-based fee components of the existing fixed and mobile carrier licences.*

The Secretary [for Commerce and Economic Development] agrees to the [Telecommunications] Authority's recommendation and therefore proposes that the customer connection fee for UCL be set at $8 per connection."

3.2 In the Bureau Paper, the Commerce and Economic Development Bureau did not provide any OFTA costing figures to explain why the rise of $1 in customer connection fee was "*still appropriate from cost recovery angle*". In the OFTA Trading Fund Report for the year ended 31 March 2007, the operating costs of OFTA actually decreased from $235.7 million in the year ended 31 March 2006 to $228.3 million in the year ended 31 March 2007 and staff costs dropped from $185.6 million to $182.4 million in the respective period. On the other hand, the pre-tax profit of OFTA Trading Fund rose 24.6% to $92.6 million for the year ended 31 March 2007. Bearing in mind the difficult operating environment and the cutthroat competition in the fixed network sector, it is difficult to understand why the Government still needs to raise the customer connection fee when there was substantial profit in OFTA Trading Fund last year. The proposed increase in the customer connection fee may in turn create inflationary pressure on the economy. For this reason, the Legislative Council should request the Government to re-consider its proposed increase in customer connection fee.

Hong Kong Cable Television Limited
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