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Consultations on the Unified Carrier Licence

Briefing for the Legislative Council Panel on Information Technology and Broadcasting
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Commerce and Economic Development Bureau
Office of the Telecommunications Authority

Need for a Unified Carrier Licence (UCL)

- **Boundary between fixed and mobile networks and services becomes increasingly blurred → fixed-mobile convergence (FMC)**
- **In 2005 and 2006, OFTA carried out two rounds of regulatory review in relation to FMC.**
- **One of the conclusions of FMC review published in April 2007:**
  - **creation of a Unified Carrier Licence (UCL) as the common vehicle for licensing fixed, mobile and/or converged services**

Consultations for introduction of UCL

- **Consultation by Secretary for Commerce and Economic Development (SCED) is required under section 7(3) of Telecommunications Ordinance (TO) before the making of regulation to cover General Conditions (GCs), including the period of validity, and licence fees**

- **Section 7A of TO empowers the Telecommunications Authority (TA) to add special conditions to a licence. Separate consultation by the TA to cover**
  - **Special Conditions (SCs)**
  - **Migration Arrangement**

- **Both consultations are conducted in parallel to give a total picture to industry on the new licensing regime**

Scope of Service for UCL

- **Scope of the UCL covers those services authorised under four existing four types of carrier licences:**
  - **Fixed Carrier Licence (FCL)**
  - **Fixed Carrier (Restricted) Licence (FCRL)**
  - **Mobile Carrier Licence (MCL)**
  - **Mobile Carrier (Restricted) Licence (MCRL)**

General conditions (GCs)

- UCL will adopt the same set of GCs of the existing carrier licences (i.e. FCL, FCRL, MCL, MCRL), which has been prescribed in the existing Telecommunications (Carrier Licence) Regulation (Cap. 106V)
- It is to ensure that all new and existing carriers licensed to provide public telecom services will have the same basic obligations

Licence Period

- **The period of validity for a UCL will depend on the scenario under which it is granted**

Scenarios	Period of Validity
New application	15 years
Replacement of an existing carrier licence upon its expiry	15 years
Conversion of an existing carrier licence – no change in scope	Same as remaining term of the existing carrier licence
Conversion of existing carrier licence(s) - other cases	15 years

- **Upon expiry of a UCL, a new licence with updated conditions will be issued to replace the expired UCL**

Licence fees

Fixed fee component	Subscriber-based fee components	Non-subscriber-based fee components
(1) Fixed fee: $1,000,000 ($100,000 for provision of external fixed service only and/or mobile service other than land mobile service only)	(2) Customer connection fee : $8 per connection (Note 1)	(3) Number fee: $3 per subscriber number (*New component*) (4) Spectrum management fee (Note 2) (5) Base station / land station fee (Note 2)

Note 1 : the concerned fee is $7 under FCL and $18 under MCL
Note 2 : basically calculated according to the same formulae adopted in existing FCL and MCL

Licence fees

- The proposed fee structure is set with a view to
  - recovering administrative costs of OFTA,
  - encouraging efficient use of telecommunications numbers, and
  - setting unified level of licence fee for fixed and mobile services

New Number fee

- Provides an economic incentive to encourage efficient use of telecommunications numbers as a scarce public resource.
- Help to extend the lifetime of the existing 8-digit numbering plan, thereby deferring the need to adopt a longer digit plan which will have significant social and cost implications.
- Licensees may reduce licence fees by returning unused numbers to the TA.

Special Conditions

- **A set of common SCs for all unified carriers**
  - **Modelled on SCs in existing carrier licences**
  - **Align some obligations between fixed and mobile services under the UCL**
    - ***Requirement for interconnection***
    - ***Number portability***
    - ***Tariff publication***
    - ***Ex post tariff regulation***
  - **Introduce new licence conditions to enhance consumer protection**

Special Conditions

- **SCs for Consumer Protection**
  - **Compliance with codes of practice**
    - **Require licensee to comply with any code of practice or guideline which the TA might issue for purpose of providing practical guidance in respect of**
      - **Provision of satisfactory service;**
      - **Protection of customer information**
      - **Protection and promotion of interest of consumers**

Special Conditions

- SCs for Consumer Protection
  - Service Contracts and Dispute Resolution
    - Currently consumer complaints in relation to service contracts are outside the remit of the TA
    - New licence condition requires licensee to comply with any code of practice which the TA might issue in respect of the requirements to apply in contracting of telecommunications services to end users, including
      - Contract documentation
      - Manner of entering into and terminating service contracts
      - Submission of disputes to independent dispute resolution scheme approved by the TA
    - Provides a formal framework for handling contractual disputes, while encouraging self-regulatory initiatives of industry

Special Conditions

- Other SCs may be set by the TA to address
  - Specific services provided by a licensee
  - Specific commitments made by an applicant
  - Maintenance of existing obligations when an existing carrier licence is replaced by or converted to a UCL, e.g.
    - *Payment of spectrum utilisation fee* (applicable to existing MCLs for provision of 2G / 3G mobile services)
    - *Combined transmitting systems* (applicable to existing FCLs of free-to-air broadcasters)

Replacement of four fixed licences issued in 1995

- **Four fixed licences issued in 1995 (to PCCW, HGC, Wharf T&T, NWT) will expire in 2010**
  - **Licensees may apply for UCLs for replacement of their existing licences in order that licensees may maintain continuity of service and network operation when their licences expire**
  - **Rights of licensees under UCL will be aligned with new carriers licensed today**
  - **Special obligations still relevant for the licensees today will be maintained in the replacement UCLs**

Replacement of four fixed licences issued in 1995

- **Some special obligations to be maintained in the UCL to be granted to PCCW**
  - **Universal Service Obligation to ensure that all persons in Hong Kong will continue to be provided with basic telephone service**
  - **Notification of discounts under the ex post tariff regulation**
  - **Ex ante approval of amendment to some interconnection tariffs provided by PCCW since 1 December 2004 and still in force**

Conversion of Existing Mobile Carrier Licences (without change in scope of service)

- Four 3G licences (issued in 2000), nine 2G licences (issued in 2005/2006) and one CDMA licence (to be issued in Nov 2008)
  - Conversion to UCLs is entirely voluntary
  - The existing spectrum rights will be transferred but shall not extend beyond the remaining term of the existing carrier licence
  - The obligations associated with spectrum rights will be transplanted (e.g. performance bond, payment of spectrum utilisation fee)

Consultation Period

- **Views and comments from the industry and other interested parties are welcome**
- **Submissions should be sent to CEDB and OFTA respectively by 20 February 2008**

Way Forward

- Subject to the submissions in response to the consultations :
  - SCED will finalise the proposal and table the subsidiary legislation within this legislative session
  - TA will finalise the licensing framework and issue a statement on UCL after enactment of the concerned legislation
- Target to implement UCL in second half of 2008 to tie in with the licensing of new broadband wireless access (BWA) service

Members' views are welcome

Thank You