



# **Outcome of Consultations on Unified Carrier Licence**

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**Briefing for the Legislative Council Panel on  
Information Technology and Broadcasting  
13 May 2008**

*Commerce and Economic Development Bureau  
Office of the Telecommunications Authority*



## Background

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- **Two public consultations launched on 21 Dec 2007 by Secretary for Commerce and Economic Development (SCED) and Telecommunications Authority (TA) respectively**
- **Members were briefed on the proposals put forward in the two consultation papers at the ITB Panel meeting on 14 January 2008**



## Background

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- **Consultation period ended on 4 March 2008**
- **11 submissions to SCED's consultation paper**
- **16 submissions to TA's consultation paper**
- **Respondents include major fixed network operators ("FNO"s), mobile network operators ("MNO"s), Consumer Council ("CC"), Hong Kong Telecom Users Group ("HKTUG"), Hong Kong Institution of Engineers ("HKIE") and some individuals**



# Creation of UCL

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## ■ Views expressed

- ▶ General support for introducing UCL
- ▶ Three FNOs considered UCL not a prerequisite for FMC and the present separate licensing for fixed and mobile services works well

## ■ Our consideration

- ▶ UCL is urgently required. Current separate licensing regimes is inadequate and can no longer meet technological and market developments of converged services, e.g. broadband wireless access (“BWA”)

## ■ Conclusion

- ▶ To proceed with legislation for creating UCL



# Migration to UCL

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- **Views expressed**

- ▶ One operator objected to use UCL to replace existing carrier licences upon their expiry

- **Our consideration**

- ▶ General support of UCL
- ▶ UCL is a more flexible and streamlined licensing vehicle with harmonised rights and obligations



# Migration to UCL

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## ■ Conclusion

- ▶ To adopt the migration arrangement as proposed in the SCED's consultation paper:
  - ◆ UCL will be issued for all new applications to provide fixed, mobile and/or converged services
  - ◆ Subject to approval of extension of operation of existing licences, UCL will be used to replace respective existing fixed and mobile carrier licences upon their expiry
  - ◆ All existing fixed and mobile carrier licences may be converted to UCLs on a voluntary basis



# Period of Validity

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## ■ Views expressed

- ▶ Unanimous agreement to the 15 years licence validity period. One FNO suggested automatic renewal upon expiry save under exceptional circumstances for non-renewal

## ■ Our consideration

- ▶ Automatic renewal is not appropriate in view of rapid technological and market changes
- ▶ No automatic renewal for existing fixed and mobile carrier licences



# Period of Validity

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## ■ **Conclusion**

- ▶ **For new licence applications and replacement of expired carrier licences, period of validity should be 15 years**
- ▶ **For conversion of existing licences:**
  - ◆ **For no change in scope of service, validity period same as the remaining term of the original carrier licence**
  - ◆ **All other cases would be processed as if a new UCL is applied for replacement of existing carrier licence(s), and a UCL should be granted with full validity period of 15 years.**
- ▶ **No automatic renewal upon licence expiry**





# General Conditions (“GC”s)

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## ■ **Views expressed**

- ▶ All expressed no objection to adopting same set of GCs applicable to existing fixed and mobile carrier licences, except two FNOs and one MNO opined that some GCs should be taken out

## ■ **Our consideration**

- ▶ Same set of GCs will ensure similar obligations for existing carriers and unified carriers providing same types of services
- ▶ Same GCs have been complied with by existing fixed and mobile carrier licensees without difficulty

## ■ **Conclusion**

- ▶ To adopt the same set of GCs of existing fixed and mobile carrier licences in the UCL



# Licence Fee

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## ■ Views expressed

- ▶ **Divided opinion on proposed fee schedule**
- ▶ **Customer connection fee (\$8 per connection)**
  - ◆ **Four FNOs objected to higher fee as compared with present fee (\$7 per connection) under fixed carrier licence**
  - ◆ **All others expressed no objection**
- ▶ **New number fee (\$3 per number)**
  - ◆ **Four FNOs and two MNOs objected**
  - ◆ **One external fixed network operator, one MNO, CC and HKTUG supported**
  - ◆ **HKIE gave views on a number of implementation issues**



# Licence Fee

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## ■ **Response on number fee issue**

- ▶ **The impact on operators and customers is small**
  - ◆ **Mobile operators pay less fee under UCL**
  - ◆ **For fixed operators, number fee \$3 per year (or 25 cents per month) is small compared with revenue of a fixed telephone line.**
  - ◆ **Fixed operators have sufficient time to develop their business plan and to return unused numbers to reduce licence fee**
  - ◆ **Operators will be careful in raising service charge under a highly competitive market**
- ▶ **There is a real need to promote more efficient use of numbers**
  - ◆ **Efficient use of numbers needed to delay migration of current 8-digit numbering plan to longer-digit plan**
  - ◆ **Charging of number fee is implemented in many other jurisdictions**
  - ◆ **OFTA will take other administrative measures in parallel**



# Licence Fee

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- ▶ **Number fee is a practical and effective measure to encourage more efficient use of numbers**
  - ◆ **Provide appropriate financial incentive**
  - ◆ **Operators will be more cost conscious in applying new number blocks and making better use of allocated numbers**
  - ◆ **OFTA will work out practical arrangement for operators to return unused numbers**
- ▶ **It is “revenue-neutral” to OFTA**
  - ◆ **No extra income to OFTA**
  - ◆ **Licence fee income will drop if operators return unused numbers**



# Licence Fee

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## ■ **Our consideration**

- ▶ **Need to meet long term objectives of:-**
  - ◆ **harmonising fee payable by a licensee irrespective of types of services provided**
  - ◆ **providing incentive for operators to make efficient use of scarce resource (such as numbers)**
  - ◆ **recovering OFTA's cost in administering licences**
- ▶ **Need to have preventive measure to defer the need for adoption of a longer digit numbering plan**
- ▶ **Need to balance interest of operators and customers (represented by CC and HKTUG which gave support to fee proposal)**



# Licence Fee

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## ■ Conclusion

- ▶ **Adopt the fee proposal (including the \$8 connection fee and \$3 number fee)**
- ▶ **The TA will review the financial position regularly to consider if there is any room for fee reduction**



# TA's Consultation: Rights and Obligations

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## ■ **Views expressed**

- ▶ **FNOs expressed concern on administrative burden for obtaining road opening and building access approvals**
- ▶ **Various comments on proposed common set of SCs, including requests to remove gazetting requirement for operators' tariffs**
- ▶ **Proposed new licence condition on “Service Contracts and Dispute Resolution” (SC 36) has generated most controversy :**
  - ◆ **CC and HKTUG representing users supported**
  - ◆ **Most operators considered it not necessary to create SC 36 since contractual disputes could be resolved through CC or legal remedies.**



# Rights and Obligations

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## ■ **Our consideration**

- ▶ **To grant authorization to qualified operators having genuine need of road opening and building access with minimal administrative burden**
- ▶ **Reasonable to remove requirement on gazetting of tariff provided there are other effective means of tariff publication**
- ▶ **SC 36 is an important step forward in enhancing consumer protection in the telecommunications sector and should be retained**





# Rights and Obligations

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## ■ Conclusion

- ▶ To streamline the authorisation for road opening and building access and apply same arrangement for all unified carriers and existing fixed carriers
- ▶ To include the proposed SC 36 under UCL
- ▶ A slightly revised common set of SCs be adopted to ensure harmonised obligations (e.g. interconnection, tariff, number portability) for all unified carriers



# Replacement of the Four Fixed Carrier Licences issued in 1995

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## ■ **Views expressed**

- ▶ **Three FNOs expressed concerns about authorisation of road opening and building access (already addressed above)**
- ▶ **PCCW has no objection to retaining Universal Service Obligation under UCL, but object to transfer of some existing obligations to UCL**

## ■ **Our consideration**

- ▶ **The special obligations added in PCCW's existing ex post licence granted in 2005 are still relevant under the UCL but agree to review later when the market has changed**

## ■ **Conclusion**

- ▶ **To adopt the proposal for replacement of the four fixed licences in 2010 by UCL, but with further streamlining of road opening approval and granting of authorisation on building access in general**



# Conversion of Mobile Carrier Licences

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## ■ **Views expressed**

- ▶ MNOs wish to avoid transplanting some legacy obligations such as Open Network Access to the UCL

## ■ **Our consideration**

- ▶ Need to keep the existing legacy obligations associated with spectrum rights in order to ensure efficient use of spectrum and honouring of prior commitments

## ■ **Conclusion**

- ▶ No material change to the proposed voluntary conversion arrangement



# Legislation for UCL

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- **Amendments to two pieces of subsidiary legislation under Telecommunications Ordinance**
- **Amendment to Telecommunications (Carrier Licence) Regulation (Cap. 106V)**
  - ▶ **Define UCL as a new type of carrier licence**
  - ▶ **Specify period of validity, general conditions and fees for UCL**
  - ▶ **Provide arrangement for migrating existing carrier licences to UCLs**
- **Amendment to Telecommunications (Level of Spectrum Utilization Fees) (Second Generation Mobile Services) Regulation (Cap 106AA)**
  - ▶ **Consequential amendments to ensure no change to arrangement for payment of spectrum utilization fee by a mobile carrier licensee under Cap 106AA if its mobile carrier licence is converted to UCL**



## Way Forward

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- **To gazette the subsidiary legislation on 16 May 2008 and to table it in the Legislative Council on 21 May 2008 for negative vetting**
- **To implement the new UCL regime on 1 August 2008**
- **To use UCL for licensing of BWA service to tie in with expected auction of spectrum in the fourth quarter of 2008**