



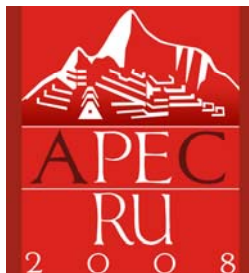
**Asia-Pacific
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Agenda Item: 7

Regulatory Update - Hong Kong, China

Purpose: Information
Submitted by: Hong Kong, China



**38th APEC Telecommunications and Working
Group Meeting – Plenary Session
Lima, Peru
15-17 October 2008**

APEC TEL 38
Update¹ on Regulatory and Policy Developments
Hong Kong, China
(Position as at 15 October 2008)

A. Broadband Wireless Access

After conducting three rounds of public consultation on the deployment of BWA services in Hong Kong, the Telecommunications Authority (TA) issued a statement on 3 December 2007 to conclude views and decisions about the use of 2.3 – 2.4 GHz band (the “2.3 GHz band”) and 2.5 – 2.69 GHz band (the “2.5 GHz band”) for the provision of Broadband Wireless Access (“BWA”) services.

In early October 2008, OFTA published an information memorandum inviting applications for the Broadband Wireless Access (BWA) Licences. The information memorandum sets out the minimum spectrum utilization fees (SUF) for the BWA spectrum auction, the auction rules and various other elements of the licensing framework.

The available radio spectrum of 195MHz will be divided into 12 blocks, each with a bandwidth varying from 5 MHz to 30MHz, for bidding in the auction to be held in January 2009. Both new entrants and incumbent licensees can take part in the auction. Each of the bidders may bid for any combination of blocks, subject to a spectrum cap of 30 MHz

To reflect the value of the radio spectrum as a scarce public resource and having taken into account the international benchmarks, local market situations and technological development, the Government has set the minimum SUF at HK\$25 million for every 5 MHz of spectrum. The actual amount of SUF payable by successful bidders will be determined by the auction results. Successful bidders will be required to pay the SUF as a single upfront payment and to offer services within five years from the grant of the licence

¹ The web sites of the Communications and Technology Branch of Commerce and Economic Development Bureau (CEDB) and the Office of the Telecommunications Authority (OFTA) provide more information on all the subjects covered in this Update. Their web addresses are www.cedb.gov.hk/ctb and www.ofta.gov.hk respectively.

There will be no restriction on the applications and services for the BWA licences. Also, no particular standards or technologies will be prescribed for BWA deployment as far as it conforms to the widely recognized international standards. BWA licensees will be required to support both mobile number portability and fixed number portability upon the grant of the licence. OFTA plans to auction the BWA spectrum and license the service in January 2009.

OFTA will conduct an industry briefing for the auction on 27 October 2008 and accept bidding applications on 15 and 16 December 2008. Please refer to <http://www.ofta.gov.hk/en/industry/broadband/main.html> for details of the information memorandum.

B. Unified Carrier Licensing Regime

The Government issued two consultation papers in December 2007 to seek public views on the proposals regarding the creation of the new Unified Carrier Licence (UCL) and the licensing framework for UCL. The consultation period for the two consultation papers come to an end in early March 2008. After considering all the comments / views collected in the public consultation, the Government decided to proceed with the necessary amendments to the existing regulations for creation of the UCL. Separately, the Telecommunications Authority (TA) issued a TA Statement on 9 May 2008 to conclude her views and decision on the details of the new licensing regime. Please refer to <http://www.ofta.gov.hk/en/tas/others/ta20080509.pdf> for details of the TA Statement.

The new licensing regime for UCL was put into implementation on 1 August 2008. From this date onward, all kinds of fixed, mobile and converged services will be licensed under the new regime. A set of guidance notes was published in assisting operators to apply for the new licence. The existing types of fixed and mobile carrier licences will remain in full force until expiry. Existing fixed and mobile carrier licensees may also apply to the TA to convert, before expiry, their licences into UCLs on a voluntary basis.

One salient feature of the UCL is that the use of numbering resource will be subject to an annual fee. This measure is to provide the necessary

economic incentive to encourage operators to better utilise the numbering resource.

For the protection of consumer interests, a licence condition under the UCL is also introduced to empower the TA to issue codes of practice in connection with consumer affairs, and this will cover matters relating to the better resolution of customer complaints in relation to contractual issues. It is believed that this would enhance customer protection in the telecommunications sector.

C. Digital Terrestrial Television (DTT) Service

With effective from 31 December 2007, the two local TV broadcasters have commenced digital terrestrial television broadcast in Hong Kong. With seven transmitting stations all came into service in early August 2008, the coverage of DTT broadcasting reached 75% of the population.

With the improvement work on coverage being undertaken, it is expected that the coverage areas of DTT signals will continue to expand. It is our intention to carry out digital switchover in year 2012 when the public take-up of the DTT services warrants.

To address public enquiry on the coverage of DTT service which is being expanded, OFTA has established a database on coverage information about DTT services. The public can access such information on a residential building basis

Details on the DTT service in Hong Kong may be referred to <http://www.digitaltv.gov.hk/>

D. Withdrawal of Mandatory Type II Interconnection

The withdrawal of mandatory Type II interconnection (i.e. unbundling of local loop) has become effective in Hong Kong since 1 July 2008. It marks an important milestone underlining the significant degree of facility-based competition achieved by Hong Kong in its fixed line market. Hong Kong is among the first few economies in the world to phase out this mandatory regulatory intervention in its mainstream regulatory policy in the opening up of the “last mile” of the incumbent fixed operator.

Actually, since the announcement of the revised Type II interconnection policy in July 2004, the new fixed network operators (FNOs) have continued to invest and roll out their self-built networks. As of March 2008, the number of households in Hong Kong that are connected to at least two self-built customer access networks (CANs) has reached 81.2% of the total number of households. This is a substantial increase compared with four years ago when the corresponding figure was 53%.

Apart from the more extensive geographical reach of the self-built networks of the new FNOs, more advanced and innovative services are introduced by FNOs using their high-capacity self-built CANs. These include the following :

(a) More affordable and faster broadband Internet access service to customers, with a household penetration of 77% in March 2008;

(b) The upgrade of the hybrid fibre coaxial (HFC) network of the cable operator to provide both broadband and IP telephony service using cable modem technology, thus giving additional choice of telecommunications services to those customers who are already provided with the pay TV service by the company;

(c) The deployment of fibre-to-the-home (“FTTH”) technology by the FNOs, which is capable of delivering transmission capacity of up to 1000Mbps to individual premises.

(d) The launch of IP telephony service by almost all FNOs and service-based operators (SBO) over broadband connections. The total number of IP telephony subscribers reaches 388,000 in March 2008, accounting for about 9% of all fixed line telephone customers;

(e) The launch and increasing popularity of local IP television services. With over one million customers in December 2007, Hong Kong ranks the first in the world in the household penetration of IP television services; and

(f) The offer of “triple-play” services by a number of FNOs providing bundled packages of telephony, broadband access and IP television services to customers.

For more information about the withdrawal of mandatory Type II interconnection, please visit OFTA's website at :

<http://www.ofta.gov.hk/en/tas/interconnect/tas20080703.pdf>