

LEGISLATIVE COUNCIL BRIEF

Telecommunications Ordinance
(Chapter 106)

**TELECOMMUNICATIONS (CARRIER LICENCES)
(AMENDMENT) REGULATION 2018**

INTRODUCTION

This paper briefs Members on the Telecommunications (Carrier Licences) (Amendment) Regulation 2018 (“the Amendment Regulation”), copy at **Annex**, which aims to reduce the annual fee payable for customer connections in respect of unified carrier licences (“UCLs”), and introduce a new fee component of Wireless Internet of Things (“WIOT”) device fee under UCL.

JUSTIFICATIONS

2. The operation of the Office of the Communications Authority Trading Fund (“OFCATF”) is financed mainly by income from licence fees. The Secretary for Commerce and Economic Development (“SCED”) and the Communications Authority (“CA”) regularly monitor and review the financial performance of the OFCATF and make adjustments to the level of licence fees, if necessary, in line with the cost recovery principle and financial arrangements as advised by the Financial Services and the Treasury Bureau.

3. Under section 7(2) of the Telecommunications Ordinance (Cap. 106) (“TO”), SCED may by regulation prescribe the general conditions and fees payable for a carrier licence (including a UCL) other than an exclusive licence.

4. On 12 October 2018, SCED and the CA issued a Joint Statement¹ promulgating their decisions to reduce the licence fees

¹ The Joint Statement is available at:
https://www.cedb.gov.hk/ccib/eng/paper/pdf/Joint_Statement_Licence_Fee_Reduction_EN.pdf

payable by holders of five types of licences issued under the TO, and to introduce a new fee component under UCLs to facilitate the development of WIoT services. Apart from fees under the UCL, no legislative amendment is required for effecting the reduction of the mobile station fee of other four types of licences².

5. To effect SCED's proposal to reduce the customer connection fee of UCL from \$700 to \$500 for each set of 100 customer connections, and introduce a WIoT device fee of \$200 for each set of 100 WIoT devices under UCL, we need to amend the Telecommunications (Carrier Licences) Regulation (Cap. 106V).

THE AMENDMENT REGULATION

6. We propose to amend Part 6 of Schedule 3 to the Telecommunications (Carrier Licences) Regulation (Cap. 106V) to effect the following –

- (a) reducing the customer connection fee of UCL from \$700 to \$500 for each 100 customer connections; and
- (b) introducing a WIoT device fee of \$200 for each 100 WIoT devices under UCL.

LEGISLATIVE TIMETABLE

7. The legislative timetable will be –

Publication in the Gazette	23 November 2018
Tabling at the Legislative Council	28 November 2018
Commencement of the Amendment Regulation	31 January 2019

² Referring to the reduction of the mobile station fee of the following four types of licences:
(a) public radiocommunications service licence (paging): reducing from \$700 to \$500 for each set of 100 mobile stations;
(b) services-based operator licence (Class 3) (mobile virtual network operators): reducing from \$700 to \$500 for each set of 100 mobile stations;
(c) mobile radio system mobile station licence: reducing from \$270 to \$220 per mobile station; and
(d) private mobile radio system licence: reducing from \$270 to \$220 per mobile station.

IMPLICATIONS OF THE AMENDMENT REGULATION

8. With the implementation of the licences fees reduction and the introduction of a new fee component under UCL as mentioned in paragraph 4 above, the latest projection is that the OFCATF will exhaust its retained earnings in 2020-21. In order to obviate the need to increase licence fees to meet the expenses incurred, transfers out of the Development Reserve³ are expected from 2020-21. It is projected that the Development Reserve will be reasonably sufficient to sustain the operations of the OFCATF until 2025-26. That said, as the OFCATF is making five-year financial projections on a rolling basis, whether the transfers will indeed be necessary in 2020-21 will be subject to the actual financial performance of the OFCATF over the next two years.

9. The Amendment Regulation is in conformity with the Basic Law, including the provisions concerning human rights. It does not affect the current binding effect of the Telecommunications Ordinance (Cap. 106). It has no civil service, sustainability, productivity, family, gender or environmental implications.

PUBLIC CONSULTATION

10. SCED and the CA jointly launched a public consultation⁴ from 8 June 2018 to 6 August 2018. A total of seven submissions were received. While the respondents to the consultation paper are generally supportive of the initiative to reduce licence fees and to introduce a new fee component for WIoT services, they have expressed further views and comments. The comments received as well as the responses of SCED and the CA have been set out in the Joint Statement issued on 12 October 2018.

11. We briefed the Information Technology and Broadcasting Panel of the Legislative Council on 12 November 2018⁵. The Panel has raised no objection to this proposal.

³ The Development Reserve was set up in 1995 under the Office of the Telecommunications Authority Trading Fund (now OFCATF) with the objective to reduce the need for future licence fee increases.

⁴ The consultation paper is available at:
https://www.cedb.gov.hk/ccib/eng/paper/pdf/2018_licence_fee_eng.pdf

⁵ The Panel paper is available at:
<https://www.legco.gov.hk/yr18-19/english/panels/itb/papers/itb20181112cb4-162-5-e.pdf>

PUBLICITY

12. A press release will be issued to tie in with the gazettal of the Amendment Regulation. A spokesperson will be available for answering media enquiries.

ENQUIRIES

13. For enquiries, please contact Mr Keith Giang, Principal Assistant Secretary for Commerce and Economic Development (Communications & Creative Industries) at 2810 2708.

**Commerce and Economic Development Bureau
(Communications and Creative Industries Branch)
21 November 2018**

Telecommunications (Carrier Licences) (Amendment) Regulation 2018

(Made by the Secretary for Commerce and Economic Development under section 7(2) of the Telecommunications Ordinance (Cap. 106))

1. Commencement

This Regulation comes into operation on 31 January 2019.

2. Telecommunications (Carrier Licences) Regulation amended

The Telecommunications (Carrier Licences) Regulation (Cap. 106 sub. leg. V) is amended as set out in section 3.

3. Schedule 3 amended (fees payable for carrier licences)

(1) Schedule 3, Part 6, section 2—

Repeal

“\$700”

Substitute

“\$500”.

(2) Schedule 3, Part 6, section 2, after “used for connection to the network”—

Add

“, but does not include a Wireless Internet of Things device within the meaning of section 2A”.

(3) Schedule 3, Part 6, after section 2—

Add

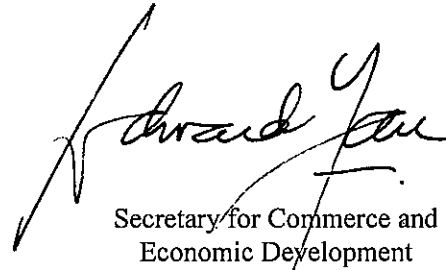
“2A. A fee of \$200 is payable on the issue of a unified carrier licence and on each anniversary of the issue of the licence

while the licence remains in force, for each 100 Wireless Internet of Things devices connected by radiocommunications means to the network established and maintained under the licence. In this section, *Wireless Internet of Things device* (無線物聯網裝置) means a device, interface, subscriber identification module or any other thing, that—

- (a) is provided by the licensee;
- (b) is identified by the Authority for connection to the network established and maintained under the licence;
- (c) enables automated data-only machine-to-machine type communications;
- (d) operates by radiocommunications means;
- (e) does not carry real-time voice communications; and
- (f) does not use any subscriber number within the meaning of section 3.

2B. However, the fee specified in section 2A is not payable if the licence only permits the provision of either or both of the following—

- (a) external services;
- (b) radiocommunications services (where moving stations are primarily for use in locations other than on land).”.



Secretary for Commerce and
Economic Development

19 November 2018

Explanatory Note

This Regulation amends Part 6 of Schedule 3 to the Telecommunications (Carrier Licences) Regulation (Cap. 106 sub. leg. V) to—

- (a) reduce the customer connection fees payable for unified carrier licences; and
- (b) introduce a new fee component for Wireless Internet of Things devices under unified carrier licences.