

For information**Legislative Council
Panel on Information Technology and Broadcasting****Current Progress in the Implementation of Full Liberalization of the
Fixed Telecommunications Network Services Market****I. Introduction**

In January 2002, the Government announced that the fixed telecommunications network services (FTNS) market would be fully liberalized as from 1 January 2003. There will be no pre-set limit on the number of local wireline-based FTNS operators. Furthermore, the level of rollout and investment of the new entrants will be determined by the market. To ensure that the new operators are genuine investors in Hong Kong's telecommunications market, the Telecommunications Authority will, in considering the applications for licences, take into account the benefit of the proposed network to the community. More specifically, the factors which the Telecommunications Authority would consider include the type of services to be offered, the intended coverage areas, the reasonableness of the business plans and the financial capability of the applicant to fulfil the capital expenditure requirement.

2. For the existing three local wireline-based FTNS operators which entered the market in 1995 (the 1995 New Entrants), namely Hutchison Global Communications Limited (HGC), New World Telecommunications Limited (NWT) and Wharf T&T Limited (WT&T), they had committed to achieving certain milestones on network rollout and capital expenditure in consideration of the extension of the moratorium on the issue of further local wireline-based FTNS licences by end of December 2002.

3. In response to Members' request at the Panel meeting on 17 September 2002, this paper updates Members on the latest state of play in the implementation of full liberalization of the FTNS market, including

the investment in telecommunications network and the number of fixed and mobile accounts.

II. FTNS licences

4. Since the issue of Guidelines for the Submission of Proposals¹ in January 2002, the Office of the Telecommunications Authority (OFTA) has issued :

- (i) three local FTNS licences; and
- (ii) one external FTNS licence

for operation from 1 January 2003.

5. For the three local FTNS licensees, two are existing local wireless FTNS licensees, that is, Hong Kong Broadband Network Limited and Eastar Technology Limited. Their licences are modified to cover also local wireline FTNS services. A new licence was issued to CM TEL (HK) Limited. All three licensees propose to provide service in the whole territory of Hong Kong. Proposed services to offer include telephony service, broadband internet service, wholesale telecommunications services and virtual private network services.

6. An external FTNS licence was issued to AT&T Asia Pacific Group Limited on 28 January 2003. The company plans to use submarine cable to offer external services connecting Hong Kong with other places.

7. OFTA continues to receive and process new applications in accordance with the Guidelines for the Submission of Proposals.

III. Milestones Committed by the Three 1995 New Entrants

8. According to the Deed of Undertaking, each of the three 1995 New Entrants was required to provide information to demonstrate that

¹ "Guidelines for the Submission of Proposals Applying for Fixed Carrier Licences or Modifying Scopes of Services of FTNS or Fixed Carrier Licences for the Operation of Fixed Telecommunications Network Services from 1 January 2003 in the Hong Kong Special Administrative Region" issued on 11 January 2002.

they have completed the milestones committed by them up to the end of 2002. By end January 2003, all three operators have supplied the required information : -

Commitments up to 2002 Year End vs. Achievements Reported by Operators

	Cumulative CAPEX from 1 Jan 1999		No. of customer access buildings		No. of PCCW-HKTC's exchanges with Type II interconnection to the operator's network	
	<i>Commitment</i>	<i>Achievement</i>	<i>Commitment</i>	<i>Achievement</i>	<i>Commitment</i>	<i>Achievement</i>
HGC	HK\$2000M	HK\$2717M	1500	2057	22	22
NWT	HK\$600M	HK\$750M	260	287	15	16
WT&T	HK\$400M	HK\$748M	1200	1436	10	26

OFTA has verified the information submitted and is satisfied that the three 1995 New Entrants have completed all milestones by end 2002 pursuant to their Deeds of Undertaking.

9. Members may note that according to the information submitted by the three 1995 New Entrants, their network rollout exceeded the milestones committed under the Deed of Undertaking. Based on the network rollout of the three 1995 New Entrants by the end of 2002, about 58% of the residential customers in Hong Kong are able to enjoy alternative choice of at least one local fixed telephone service provider other than PCCW-HKTC.

10. Members may also note that the cumulative investments of the three 1995 New Entrants are more than the milestones committed under the Deeds of Undertaking. Together with the investments made by the incumbent operator PCCW-HKTC, we estimate that about HK\$16 billion has been invested in the local telecommunications infrastructure during the past 4 years during 1999 – 2002.

11. As at January 2003, we have 3.8 million fixed lines and 6.3 million mobile phone subscribers in Hong Kong.

Office of the Telecommunications Authority
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